Irish Statutory Accounts

WILLIS TOWERS WATSON PLC

(Registered Number 475616)

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2017

IMPORTANT NOTICE TO SHAREHOLDERS

Following our redomicile to Ireland in 2009, we are required to produce Irish statutory accounts prepared under applicable Irish company law, to be filed with the Irish Companies Registration Office. We are also required to send this document to the shareholders in advance of the Annual General Meeting.

These are in addition to our financial statements prepared under applicable US securities laws, filed with the Securities and Exchange Commission on our Annual Form 10-K and sent to shareholders.

FIVE FINANCIAL YEARS ENDED DECEMBER 31
(IN MILLIONS, EXCEPT PER SHARE DATA AND PERCENTAGES)

	2017	2016	2015	2014	2013
Revenues	$ 8,202	$ 7,887	$ 3,829	$ 3,802	$ 3,655
Total operating expenses (2)	$ 7,464	$ 7,286	$ 3,452	$ 3,155	$ 2,992
Operating income	$ 738	$ 601	$ 377	$ 647	$ 663
Operating margin	9.0%	7.6%	9.8%	17.0%	18.1%
Net income attributable to Willis Towers Watson (2)	$ 568	$ 450	$ 343	$ 362	$ 365
Net income per diluted share (1) (2)	$ 4.18	$ 3.26	$ 4.97	$ 5.32	$ 5.37
Total debt	$ 4,535	$ 3,865	$ 3,266	$ 2,297	$ 2,311
Shareholders' equity (2)	$ 10,126	$ 10,065	$ 2,199	$ 1,985	$ 2,215
Capitalization ratio (2)	31%	28%	60%	54%	51%

(1) As set out in Note 3 to the Consolidated Financial Statements, on January 4, 2016, pursuant to the Agreement and Plan of Merger, dated June 29, 2015, as amended on November 19, 2015, between Willis Group Holdings Public Limited Company, Towers Watson & Co., and Citadel Merger Sub, Inc., a wholly-owned subsidiary of Willis formed for the purpose of facilitating this transaction ('Merger Sub'), Merger Sub merged with and into Towers Watson, with Towers Watson continuing as the surviving corporation and a wholly-owned subsidiary of Willis. As a result, net income (loss) per diluted shares has been retroactively adjusted to reflect the 1 to 2.6490 reverse stock split effected by the Company as of January 4, 2016 upon completion of the Merger.

(2) Total operating expenses for 2015 were increased by $50 million to reflect a settlement in principle the Company entered into on March 31, 2016 amounting to $120 million relating to Stanford Financial Group litigation. As a consequence, net income attributable to Willis Towers Watson for 2015 was decreased by the post-tax effect of $30 million, net income per diluted share and stockholders' equity for 2015 was decreased and the capitalization ratio for 2015 was increased. Further details on this settlement in principle are given in Note 14 to the Consolidated Financial Statements. This increase in the litigation provision was recognized in Annual Form 10-K for the following year, 2016.

Certain Definitions

The following definitions apply throughout this annual report unless the context requires otherwise:

'We', 'Us', 'Company', 'Willis Towers Watson', 'Our', 'Willis Towers Watson plc' or 'WTW'	Willis Towers Watson Public Limited Company, a company organized under the laws of Ireland, and its subsidiaries
'Parent Company'	Willis Towers Watson Public Limited Company (only)
'shares'	The ordinary shares of Willis Towers Watson Public Limited Company, nominal value $0.000304635 per share
'Legacy Willis' or 'Willis'	Willis Group Holdings Public Limited Company and its subsidiaries, predecessor to Willis Towers Watson, prior to the Merger
'Legacy Towers Watson' or 'Towers Watson'	Towers Watson & Co. and its subsidiaries
'Merger'	Merger of Willis Group Holdings Public Limited Company and Towers Watson & Co. pursuant to the Agreement and Plan of Merger, dated June 29, 2015, as amended on November 19, 2015, and completed on January 4, 2016
'Gras Savoye'	GS & Cie Groupe SAS
'Miller'	Miller Insurance Services LLP and its subsidiaries

Contents

Officers and corporate information

DIRECTORS

Executive Director

John J. Haley

Non-Executive Directors

Anna C. Catalano
Victor F. Ganzi
Wendy E. Lane
James F. McCann (Chairman)
Brendan R. O'Neill
Jaymin B. Patel
Linda D. Rabbitt
Paul Thomas
Wilhelm Zeller

SECRETARY

Nicole Napolitano

REGISTERED OFFICE

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Dublin 4, Ireland

AUDITOR

Deloitte LLP
London, United Kingdom

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

We have included in this document ‘forward-looking statements’ within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. These forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, that address activities, events or developments that we expect or anticipate may occur in the future, including such things as our outlook, future capital expenditures, future share repurchases, growth in commissions and fees, the impact of changes to tax laws on our financial results, business strategies and planned acquisitions, competitive strengths, goals, the benefits of new initiatives, growth of our business and operations, plans and references to future successes, and the benefits of the Merger, including our future financial and operating results, plans, objectives, expectations and intentions are forward-looking statements. Also, when we use words such as ‘may,’ ‘will,’ ‘would,’ ‘anticipate,’ ‘believe,’ ‘estimate,’ ‘expect,’ ‘intend,’ ‘plan,’ ‘probably,’ or similar expressions, we are making forward-looking statements. Such statements are based upon the current beliefs and expectations of the Company’s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. All forward-looking disclosure is speculative by its nature.

A number of risks and uncertainties that could cause actual results to differ materially from the results reflected in these forward-looking statements are identified under ‘Principal Risks and Uncertainties’ in the Directors’ Report. 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 statements are reasonable, any of these assumptions, and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements included in this report, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved.

Our forward-looking statements speak only as of the date made and we will not update these forward-looking statements unless the securities laws require us to do so. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur, and we caution you against unduly relying on these forward-looking statements.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

Summary and Basis of Presentation

The Directors present their report, together with the audited consolidated financial statements of Willis Towers Watson plc, a company incorporated in Ireland, and its subsidiaries, for the year ended December 31, 2017.

Willis Towers Watson plc was formed upon completion of the Merger on January 4, 2016, pursuant to the Agreement and Plan of Merger dated June 29, 2015, as amended on November 19, 2015 (the 'Merger Agreement'), between Legacy Willis, Legacy Towers Watson, and Citadel Merger Sub, Inc., a wholly-owned subsidiary of Willis formed for the purpose of facilitating this transaction ('Merger Sub'). Pursuant to the Merger Agreement, Merger Sub merged with and into Towers Watson with Towers Watson continuing as the surviving corporation and a wholly-owned subsidiary of Willis.

Immediately following the Merger, Legacy Willis effected (i) a consolidation (i.e., a reverse stock split under Irish law) of Willis ordinary shares whereby every 2.6490 Legacy Willis ordinary shares were consolidated into one Willis Towers Watson ordinary share (the 'Consolidation') and (ii) an amendment to its Constitution and other organizational documents to change its name from Willis Group Holdings Public Limited Company to Willis Towers Watson Public Limited Company.

We continue to integrate Willis and Towers Watson while creating a unified platform for global growth, including positioning the Company to leverage our mutual distribution strength to enhance market penetration, expand our global footprint and create a strong platform for further innovation. The Company provides a comprehensive offering of services and solutions to clients across four business segments: Human Capital and Benefits; Corporate Risk and Broking; Investment, Risk and Reinsurance; and Benefits Delivery and Administration, formerly Exchange Solutions.

Our clients operate on a global and local scale in a multitude of businesses and industries throughout the world and generally range in size from large, major multinational corporations to middle-market domestic and international companies. Our clients include many of the world's leading corporations, including 90% or more of the Fortune Global 500 companies, the Fortune 1000, and the FTSE 100. We also advise substantially all of the world's leading insurance companies. We work with major corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries, with many of our client relationships spanning decades. No one client accounted for a significant concentration of revenues in each of the years ended December 31, 2017, 2016 and 2015. We place insurance with approximately 2,500 insurance carriers, none of which individually accounted for a significant concentration of the total premiums we placed on behalf of our clients in 2017, 2016 or 2015.

The Directors have elected to prepare the consolidated financial statements of Willis Towers Watson plc in accordance with Section 279 of the Companies Act 2014 which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ('US GAAP'), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

The Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In the Consolidated Financial Statements (as well as the Directors' Report), the nominal value of ordinary shares and number of ordinary shares have been retroactively adjusted to reflect the reverse stock split on January 4, 2016. See Note 3 to the Consolidated Financial Statements for further details.

Principal Activities

Willis Towers Watson is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. Willis Towers Watson has more than 43,000 employees and services clients in more than 140 countries and territories. 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. We believe our unique perspective allows us to see the critical intersections between talent, assets and ideas - the dynamic formula that drives business performance.

Management Structure

In 2016, we began managing our business across four integrated reportable operating segments: Human Capital and Benefits; Corporate Risk and Broking; Investment, Risk and Reinsurance; and Benefits Delivery and Administration. Below are the percentages of revenues generated by each segment for each of the years ended December 31, 2017, 2016 and 2015:

	Year ended December 31,		
	2017	2016 (i)	2015 (i)
Human Capital and Benefits	39%	40%	15%
Corporate Risk and Broking	33%	32%	61%
Investment, Risk and Reinsurance	19%	20%	24%
Benefits Delivery and Administration	9%	8%	—%

(i) Beginning in 2017, we made certain changes that affect our segment results. These changes, which are detailed in the Current Report on Form 8-K filed with the SEC on April 7, 2017, include the realignment of certain businesses within our segments, as well as changes to certain allocation methodologies to better reflect the ongoing nature of our businesses. The prior period comparatives reflected in the tables above have been retrospectively adjusted to reflect our current segment presentation. See Note 4 to the Consolidated Financial Statements for a further discussion of these changes. The recast figures do not include pro forma segment revenues from Legacy Towers Watson for 2015. For 2015 pro forma segment information, see our Form 8-K filed with the SEC on July 14, 2016.

Human Capital and Benefits

The Willis Towers Watson Human Capital & Benefits ('HCB') segment provides an array of advice, broking, solutions and software for employee benefit plans, the human resources ('HR') organization and the management teams of our clients.

HCB is the largest segment of the Company, generating approximately 39% of our segment revenues for the year ended December 31, 2017. Organized into four primary offerings - Retirement; Health & Benefits; Talent & Rewards; and Technology and Administration Solutions, the segment is focused on addressing our clients' people and risk needs to help them take on the challenges of operating in a global marketplace.

HCB is strengthened with teams of international consultants that provide support in each of these areas to the global headquarters of multinational clients and their foreign subsidiaries.

Retirement — The Retirement business provides actuarial support, plan design, and administrative services for traditional pension and retirement savings plans. Our colleagues help our clients assess the costs and risks of retirement plans on cash flow, earnings and the balance sheet, the effects of changing workforce demographics on their retirement plans and retiree benefit adequacy and security. We offer clients a full range of integrated retirement consulting services to meet the needs of all types of employers - including those that continue to offer defined benefit plans and those that are reexamining their retirement benefit strategies. We bring a particular in-depth data analysis and perspective to their decision process, because we have tracked the retirement designs of the largest public companies around the world over many years.

For clients that want to outsource some or all of their pension plan management, we offer integrated solutions that combine investment consulting, pension administration, core actuarial services, and communication and change management assistance.

Our retirement consulting relationships are generally long-term in nature, and client retention rates for this business are high. A significant portion of the revenues in this business is from recurring work, with multi-year contracts that are driven by the heavily regulated nature of employee benefit plans and our clients' annual needs for these services. Revenues for the Retirement business are somewhat seasonal, as much of our work pertains to calendar-year plan administration and reporting and compliance related to the completion of pension plan valuations; thus, the first quarter of the financial year is typically Retirement's strongest quarter. Major revenue growth drivers in this business include changes in regulations, capital market conditions, increased global demand and increased market share.

Health and Benefits — The Health & Benefits ('H&B') business provides plan management consulting, broking and administration across the full spectrum of health and group benefit programs, including medical, dental, disability, life and other coverage. Our H&B reach extends from small/mid-market clients to large market clients, across the full geographic footprint of the Company, and to most industries. We can address our clients' insured needs in more than 140 countries.

Our consultants help clients make strategic decisions on topics such as optimizing program spend; evaluating emerging coverage options (including publicly-subsidized health insurance exchanges and private exchanges in the U.S.); and dealing with above-inflation-rate increases in healthcare costs. In addition to our consulting services, we manage a number of collective purchasing initiatives, such as pharmacy and stop-loss, that allow employers to realize greater value from third-party service providers than they can achieve on their own.

With Global Benefits Solutions, our suite of global services supporting medical, dental and risk (life, accident and disability) programs, we have a tailored offering for multinationals. That offering includes a flexible set of ready-made offerings, proven technology, efficient operational structure and an integrated approach to service delivery that translates to a globally consistent, high-quality experience for our clients.

Finally, H&B supports our Group Marketplace, our private health insurance exchange for active employees. This offering is integrated with our other health insurance exchange offerings covered by our Individual Marketplace, which are offered within the Benefits Delivery and Administration segment.

Talent & Rewards — Our Talent & Rewards ('T&R') business provides advice, data, software and products to address clients' total rewards and talent issues. T&R has operations across the globe, including centralized software development and analytics teams that support the efficient delivery of services to clients.

Within our Rewards line of business, we address both executive compensation and broad-based rewards. We advise our clients' management and boards of directors on all aspects of executive pay programs, including base pay, annual bonuses, long-term incentives, perquisites and other benefits. Our focus is on aligning pay plans with the organization's business strategy and driving desired performance. Our solutions incorporate market benchmarking data and software to support compensation administration.

Our Talent line of business offers services focused on designing and implementing talent management programs and processes which help companies attract and deploy talent, engage them over time, manage their performance, develop their skills, provide them with relevant career paths, communicate with them and manage organizational change initiatives. Our solutions include employee insight and listening tools, talent assessment tools and services, and HR software to help companies administer and manage their talent management programs and analyze talent trends.

Revenues for the T&R business are partly seasonal in nature, with a meaningful amount of heightened activity in the second half of the calendar year during the annual compensation, benefits and survey cycles. While T&R enjoys long-term relationships with many clients, work in several practices is often project-based and can be sensitive to economic changes. The business benefits from regulatory changes affecting our clients that require strategic advice, program changes and communication such as CEO pay ratio disclosure in the U.S. and gender pay gap reporting in the United Kingdom ('U.K.') Additional areas of growth for T&R include evolving views on effective individual performance measurement and management, focus on workforce productivity improvements and labor cost reductions, globalization and digitization of the workforce, merger and acquisition ('M&A') activity, technology-enabled approaches for measuring and understanding workforce engagement, and the opportunity to leverage HR software to improve the design, management and implementation of HR processes and programs.

Technology and Administration Solutions — Our Technology and Administration Solutions ('TAS') business provides benefits outsourcing services to hundreds of clients across multiple industries. Our TAS team focuses on clients outside of the U.S. where our services are supported by high quality administration teams using robust technology platforms. We have high client retention rates, and we are the leading administrator among the 200 largest pension plans in the U.K., as well as a leader in Germany.

For both our defined benefit and defined contribution administration services, we use highly-automated processes and web technology to enable benefit plan members to access and manage their records, perform self-service functions and improve their understanding of their benefits. Our technology also provides trustees and HR teams with timely management information to monitor activity and service levels and reduce administration costs.

Corporate Risk and Broking

Our Corporate Risk & Broking ('CRB') segment provides a broad range of risk advice, insurance brokerage and consulting services to clients worldwide ranging from small businesses to multinational corporations. The segment delivers integrated global solutions tailored to client needs and underpinned by data and analytics.

CRB generated approximately 33% of Willis Towers Watson segment revenues for the year ended December 31, 2017, and places more than $20 billion of premium into the insurance markets, annually.

CRB operates as an integrated global team comprising both functional and geographic leadership. In addition there are three global offerings, which aim to leverage capabilities across geographies. In these operations, we have extensive specialized experience handling diverse lines of coverage, including complex insurance programs. A key objective is to assist clients in reducing their overall cost of risk.

Property and Casualty — Property and Casualty provides property and liability insurance brokerage services across a wide range of industries including construction, real estate, healthcare and natural resources. Our construction practice provides risk management advice and brokerage services for a wide range of international construction activities. Clients of the construction practice include contractors, project owners, project managers, consultants and financiers. Our natural resources practice encompasses the oil and gas, mining, power and utilities sectors; and provides services including property damage, offshore construction liability and other services to global clients. In addition, we also arrange insurance products and services for our affinity client partners to offer to their customers, employees or members alongside, or in addition to, their principal business offerings.

Financial Lines — Financial Lines specializes in brokerage services for financial, political and credit risks. Our clients include financial institutions, professional services firms and affinity groups from around the globe that require coverage for areas ranging from business risks, such as trade credit, directors and officers and medical malpractice, to external threats, such as cyber attacks, terrorism and creditor payment protection.

Transport — Transport provides specialist expertise to the transportation industry and aerospace, marine and inspace practices. Our aerospace business provides insurance brokerage and risk management services to aerospace clients worldwide, including the world's leading airlines, aircraft manufacturers, air cargo handlers and other airport and general aviation companies. Our marine business provides insurance brokerage services, including hull, cargo, protection and indemnity and general marine liabilities. Our marine clients include ship owners, ship builders, logistics operations, port authorities, traders and shippers. The specialist inspace team is also prominent in providing insurance and risk management services to the space industry.

Facultative capabilities exist within each of the above offerings to serve as a broker or intermediary for insurance companies looking to arrange reinsurance solutions across various classes of risk. This allows our team of experts to deliver differentiated outcomes to their direct insureds, which in many situations are also clients of the wider Willis Towers Watson business. The facultative team also works closely with our treaty reinsurance business to structure reinsurance solutions that deliver capital and strategic benefits to insurance company clients.

Investment, Risk and Reinsurance

The Willis Towers Watson Investment, Risk and Reinsurance ('IRR') segment uses a sophisticated approach to risk which helps clients free up capital and manage investment complexity. The segment works closely with investors, reinsurers and insurers to manage the equation between risk and return. Blending advanced analytics with deep institutional knowledge, IRR identifies new opportunities to maximize performance. IRR provides investment consulting services and insurance specific services and solutions through reserves opinions, software, ratemaking, usage-based insurance, risk underwriting, and reinsurance broking.

This segment is our third largest segment and generated approximately 19% of segment revenues for the Company for the year ended December 31, 2017. With approximately 75% of the revenues for this segment split between North America and the U.K., this segment includes the following businesses and offerings:

Willis Re — Willis Re provides reinsurance industry clients with an understanding of how risk affects capital and financial performance and advises on the best ways to manage related outcomes. We operate this business on a global basis and provide a complete range of transactional capabilities, including, in conjunction with Willis Towers Watson Securities, a wide variety of capital markets-based products to both insurance and reinsurance companies. Our services are underpinned by modeling, financial analysis and risk management advice.

Insurance Consulting and Technology — Insurance Consulting and Technology, formerly Risk Consulting and Software, is a global business that provides advice and technology solutions to the insurance industry, as well as to corporate clients with respect to their insurance programs. We leverage our industry experience, strategic perspective and analytical skills to help clients measure and manage risk and capital, improve business performance and create a sustainable competitive advantage. Our services include software and technology, risk and capital management, products and pricing, financial and regulatory reporting, financial and capital modeling, M&A, outsourcing and business management.

Investment — Investment provides advice to improve investment outcomes for asset owners using a broad and sophisticated framework for managing risk. We provide coordinated investment advice and solutions to some of the world's largest pension funds and institutional investors based on our expertise in risk assessment, asset-liability modeling, strategic asset allocation policy setting, manager selection and investment execution.

Wholesale Insurance Broking — Wholesale Insurance Broking provides wholesale and specialist broking services to retail brokers worldwide, through Willis Towers Watson and London based specialist broker Miller Insurance Services LLP.

Portfolio and Underwriting Services — Portfolio and Underwriting Services, with operations in London and North America, brings together our existing set of Managing General Agent underwriting activities for purposes of accelerating their future development. Within Portfolio and Underwriting Services, we act on behalf of our insurance carrier partners and self-insured entities in product marketing and distribution, risk underwriting and selection, claims management and other general administrative responsibilities.

Willis Towers Watson Securities — Formerly Capital Markets & Advisory, with offices in New York, London, Hong Kong and Sydney, provides investment banking services to companies involved in the insurance and reinsurance industries for a broad array of merger and acquisition transactions as well as capital markets products, including acting as underwriter for primary issuances, operating a secondary insurance-linked securities trading desk and engaging in strategic advisory work.

Max Matthiessen — Max Matthiessen is a leading advisor and broker within insurance, benefits, human resources and savings in the Nordic region. The business specializes in providing human capital and benefits administration together with providing market leading savings and insurance solutions.

Benefits Delivery and Administration

The Willis Towers Watson Benefits Delivery and Administration ('BDA', formerly Exchange Solutions) segment provides primary medical and ancillary benefit exchange and outsourcing services to active employees and retirees across both the group and individual markets. BDA services individual populations via its 'group to individual' technology platform, which tightly integrates patented call routing technology, an efficient quoting and enrollment engine, a Customer Relationship Management system and comprehensive insurance carrier connectivity. This segment also delivers group benefit exchanges and full outsourcing solutions serving the active employees of employers across the United States. BDA uses Software as a Service ('SaaS')-based technology and related services to deliver consumer-driven healthcare and reimbursement accounts, including health savings accounts, health reimbursement arrangements, flexible spending accounts and other consumer-directed accounts.

A significant portion of the revenues in this segment is recurring in nature, driven by either the commissions from the policies we sell, or from long-term service contracts with our clients that typically range from three to five years. Revenues across this segment may be seasonal, driven by the magnitude and timing of client transition activities, and we typically increase our membership levels significantly effective January 1, after calendar year-end benefits elections.

BDA generated approximately 9% of our segment revenues for the year ended December 31, 2017. BDA provides services across four integrated or related offerings, listed below, to customers primarily in the U.S.

Individual Marketplace (formerly Retiree & Access Exchanges) — This business provides solutions through a proprietary technology platform, OneExchange Retiree, which enables our employer clients to transition their retirees to individual, defined contribution health plans that provide individuals with a tax-free allowance or contribution to spend on healthcare services at an annual cost that the employer controls, as opposed to group-based, defined benefit health plans that provide groups of individuals with healthcare benefits at uncertain annual costs.

Group Marketplace (formerly Active Exchanges) — This business is focused on delivering group benefit exchanges, serving the active employees of employers across the United States. Using our proprietary BenefitConnect or Bright Choices exchange platforms, combined with our expertise in creating high-performing benefit plan designs, we believe we are well-positioned to help our clients simplify their benefits delivery, while lowering the total costs of benefits and related administration. We have relationships with more than 400 broker partners to access and service the small to mid-size group market and offer both fully-insured and self-insured exchanges to meet the needs of our employer clients.

Benefits Outsourcing (formerly Technology and Administration Solutions) — Through our proprietary BenefitConnect technology, this business provides a broad suite of health and welfare outsourcing services as well as decision support and modeling tools for pension users within the U.S. With our disciplined approach to customer service, we offer cost-effective, high-touch service to hundreds of clients across many industries.

Benefits Accounts (formerly Consumer-Directed Accounts) — This business uses its SaaS-based technology and related services to deliver consumer-driven healthcare and reimbursement accounts, including health savings accounts, health reimbursement arrangements and other consumer-directed accounts.

Competition

We face competition in all fields in which we operate, based on global capability, product breadth, innovation, quality of service and price. We compete with Accenture plc, Aon plc, Arthur J. Gallagher & Co., Brown & Brown Inc., Cognizant Technology Solutions Corporation, Marsh & McLennan Companies, Inc. and Robert Half International Inc., as well as with numerous specialty, regional and local firms. Marsh & McLennan Companies and Aon plc are the two other major providers of global risk management services. Competition for business is intense in all of our business lines and in every insurance market, and in some business lines Marsh & McLennan Companies and Aon plc have greater market share than we do.

Competition on premium rates has also exacerbated the pressures caused by a continuing reduction in demand in some classes of business. For example, rather than purchase additional insurance through brokers, some insureds have been retaining a greater proportion of their risk portfolios than previously. Industrial and commercial companies increasingly rely upon their own subsidiary insurance companies, known as captive insurance companies, self-insurance pools, risk retention groups, mutual insurance companies and other mechanisms for funding their risks, rather than buy insurance. Additional competitive pressures arise from the entry of new market participants, such as banks, accounting firms and insurance carriers themselves, offering risk management or transfer services.

The human capital and risk management consulting industries are highly competitive. We believe there are significant barriers to entry, and we have developed competitive advantages in providing HR consulting and risk management consulting services. We face strong competition from several sources.

Our principal competitors in the pension consulting industry are Mercer HR Consulting (a Marsh & McLennan company) and Aon plc. Beyond these large players, the global HR consulting industry is highly fragmented.

Our major competitors in the insurance consulting and software industry include Milliman, Oliver Wyman (a Marsh & McLennan company), the big four accounting firms and SunGard. Aon, Buck Consultants (a Conduent Company), Connextions (a United Healthcare company), Mercer (a Marsh & McLennan company), Automatic Data Processing and Fidelity are our primary competitors in the insurance exchange industry. With the implementation of the Patient Protection and Affordable Care Act, we also compete with the public exchanges currently run by the U.S. federal and state governments. We now compete with providers of account-based health plans and consumer-directed benefits such as WageWorks and HealthEquity.

The market for our services is subject to change as a result of economic, regulatory and legislative changes, technological developments, and increased competition from established and new competitors. Regulatory and legislative actions, along with continuously evolving technological developments, will likely have the greatest impact on the overall market for our exchange products. We believe the primary factors in selecting an HR consulting or risk management services firm include reputation; the ability to provide measurable increases to shareholder value and return on investment; global scale; quality of service; and the ability to tailor services to clients' unique needs. With regard to the marketplace for individuals and active employee exchanges, we believe that clients base their decisions on a variety of factors that include the ability of the provider to deliver measurable cost savings for clients, a strong reputation for efficient execution, a provider's capability in delivering a broad number of configurations to serve various population segments and financing options, and an innovative service delivery model and platform. For our traditional consulting and risk management services and the rapidly evolving exchange products, we believe we compete favorably with respect to these factors.

Regulation

Our business activities are subject to legal requirements and governmental and quasi-governmental regulatory supervision in all countries in which we operate. Also, such regulations may require individual or company licensing to conduct our business activities. While these requirements may vary from location to location, they are generally designed to protect our clients by establishing minimum standards of conduct and practice, particularly regarding the provision of advice and product information, as well as financial criteria. We are also subject to data privacy regulations in many countries. Our most significant regulatory regions are described below:

United States

Our activities in connection with insurance brokerage services within the United States are subject to regulation and supervision by state authorities. Although the scope of regulation and form of supervision may vary from state to state, insurance laws in the United States are often complex and generally grant broad discretion to supervisory authorities in adopting regulations and supervising regulated activities. That supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokerage in the states in which we currently operate is dependent upon our compliance with the rules and regulations promulgated by the regulatory authorities in each of these states. Additionally, some of our private exchange activities are overseen by the Centers for Medicare & Medicaid Services, which is part of the Department of Health and Human Services.

Certain of our activities are governed by other regulatory bodies, such as investment and securities licensing authorities. Our activities in connection with investment services within the United States are subject to regulation and supervision at both the federal and state levels. At the federal level, certain of our operating subsidiaries are regulated by the SEC through the Investment Company Act of 1940 and the Investment Advisers' Act of 1940; and by the Department of Labor through the Employee Retirement Income Security Act, or ERISA. In connection with the SEC regulations, we are required to file certain reports, and are subject to various marketing restrictions, among other requirements. In connection with ERISA regulations, we are restricted in actions we can take for plans for which we serve as fiduciaries, among other matters. Our U.S. investment activities are also subject to certain state regulatory schemes.

Our Willis Towers Watson Securities business operates through its wholly-owned subsidiary, Willis Securities, Inc., a U.S.-registered broker-dealer and member of FINRA/SIPC, primarily in connection with investment banking services and advising on alternative risk financing transactions.

Our activities in connection with Third Party Administrator ('TPA') services in the United States are also subject to regulation and supervision by many state authorities. Licensing requirements and supervision vary from state to state. As with insurance brokerage services, our continuing ability to provide these services in states that regulate our activities is dependent upon our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these states.

United Kingdom

In the United Kingdom, our business is regulated by the Financial Conduct Authority ('FCA'). The FCA has a wide range of rule-making, investigatory and enforcement powers, and conducts monitoring visits to assess our compliance with regulatory requirements.

The FCA has a sole strategic objective: to ensure that the relevant markets function well. Its operational objectives are to: secure an appropriate degree of protection for consumers; protect and enhance the integrity of the U.K. financial system; and to promote effective competition in the interests of consumers. The FCA has powers in product intervention. For instance, it can instruct firms to withdraw or amend misleading financial promotions. A U.K. exit from the E.U. may cause an increase in regulations in the U.K.

European Union

In 2005, the European Union Insurance Mediation Directive introduced rules to enable insurance and reinsurance intermediaries to operate and provide services within each member state of the European Union ('E.U.') on a basis consistent with the E.U. single market and customer protection aims. Each E.U. member state in which we operate is required to ensure that the insurance and reinsurance intermediaries resident in their country are registered with a statutory body in that country and that each intermediary meets professional requirements in relation to their competence, good repute, professional indemnity cover and financial capacity. The E.U. has been in the process of updating the Insurance Mediation Directive. Various E.U. bodies have created a replacement to the Insurance Mediation Directive called the Insurance Distribution Directive. The current timetable would require all E.U. member states to make the Insurance Distribution Directive national law by July 1, 2018. The Insurance Distribution Directive is now proposed to become effective on October 1, 2018.

In addition, our Willis Towers Watson Securities business provides advice on securities or investments in the European Union and Australia through our U.K. wholly-owned subsidiary, Willis Towers Watson Securities Europe Limited, which is authorized and regulated by the FCA.

Willis Towers Watson is also subject to the new E.U. General Data Protection Regulation ('GDPR'), which goes into effect in May 2018. The GDPR is a new, comprehensive regime that significantly increases our responsibilities when handling personal data, including, without limitation, requiring us to conduct privacy impact assessments, restricting the transmission of data and requiring public disclosure of significant data breaches.

Other

Our Willis Towers Watson Securities business, through an affiliate, Willis Towers Watson Securities (Hong Kong) Limited, is licensed to conduct certain securities-related activities, and is subject to regulation by the Hong Kong Securities and Futures Commission. Certain of our entities that undertake pension scheme management are subject to MiFID (Markets in Financial Instruments Directive) and MiFIR (the Markets in Financial Instruments Regulation). In addition, revisions to MiFID ('MiFID II') took effect in January 2018. These revisions are aimed at strengthening investor protection and improving the function of financial markets. MiFID II imposes a variety of new requirements that include, among others, rules relating to product governance and independent investment advice, responsibility of management bodies, inducements, information and reporting to clients, cross-selling, remuneration of staff, and best execution of trades for clients. Further, some of our entities are also authorized and regulated by certain financial services authorities in countries such as Sweden, Ireland, the Netherlands and the U.K.

All companies carrying on similar activities in a given jurisdiction are subject to regulations which are not dissimilar to the requirements for our operations in the United States and United Kingdom. We do not consider these regulatory requirements as adversely affecting our competitive position.

Across all geographies we are subject to various data privacy regulations that apply to medical, financial and other types of personal information belonging to our clients, their employees and third parties, as well as our own employees.

Our failure, or that of our employees, to satisfy the regulatory compliance requirements or the legal requirements governing our activities, can result in disciplinary action, fines, reputational damage and financial harm.

See 'Principal Risks and Uncertainties' below in this Directors' Report for an analysis of how actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our business.

Corporate Governance

Willis Towers Watson is subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act and applicable corporate governance rules of the Nasdaq Global Select Market. Willis Towers Watson continues to report its consolidated financial results in US dollars and in accordance with US GAAP, complying also with any additional reporting requirements of Irish Law.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the chief executive officer ('CEO') and chief financial officer ('CFO'), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 31, 2017 in providing reasonable assurance that the information required to be disclosed in our periodic reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management to allow for timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our CEO and CFO, and overseen by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in the report entitled *Internal Control — Integrated Framework (2013)* to evaluate the effectiveness of the Company's internal control over financial reporting. Based on this evaluation, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2017.

Review of Developments and Business Performance

General

This discussion includes forward-looking statements. See 'Disclaimer Regarding Forward-looking Statements' for certain cautionary information regarding forward-looking statements and 'Principal Risks and Uncertainties' below for a list of factors that could cause actual results to differ materially from those predicted in those statements.

This discussion includes references to non-GAAP financial measures as defined in the rules of the Securities and Exchange Commission ('SEC'). We present such non-GAAP financial measures, specifically, adjusted, constant currency and organic non-GAAP financial measures, as we believe such information is of interest to the investment community because it provides additional meaningful methods of evaluating certain aspects of the Company's operating performance from period to period on a basis that may not be otherwise apparent under U.S. GAAP, and these provide a measure against which our businesses may be assessed in the future.

Our methods of calculating these measures may differ from those used by other companies and therefore comparability may be limited. These financial measures should be viewed in addition to, not in lieu of, the consolidated financial statements for the year ended December 31, 2017.

See 'Non-GAAP Financial Measures' below for further discussion of our adjusted, constant currency and organic non-GAAP financial measures.

Executive Overview

Business Overview

Willis Towers Watson is a 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 more than 43,000 employees and services clients in more than 140 countries and territories. 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. We believe our unique perspective allows us to see the critical intersections between talent, assets and ideas - the dynamic formula that drives business performance.

We offer clients a broad range of services to help them to identify and control their risks, and to enhance business performance by improving their ability to attract, retain and engage a talented workforce. Our risk control services range from strategic risk consulting (including providing actuarial analysis), to a variety of due diligence services, to the provision of practical on-site risk control services (such as health and safety or property loss control consulting), as well as analytical and advisory services (such as hazard modeling and reinsurance optimization studies). We assist clients in planning how to manage incidents or crises when they occur. These services include contingency planning, security audits and product tampering plans. We help our clients enhance their business performance by delivering consulting services, technology and solutions that help organizations anticipate, identify and capitalize on emerging opportunities in human capital management as well as investment advice to help our clients develop disciplined and efficient strategies to meet their investment goals.

As an insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, helping clients determine the best means of managing risk and negotiating and placing insurance with insurance carriers through our global distribution network. We operate the largest private Medicare exchange in the U.S. Through this exchange and those for active employees, we help our clients move to a more sustainable economic model by capping and controlling the costs associated with healthcare benefits.

We are not an insurance company, and therefore we do not underwrite insurable risks for our own account.

We derive the majority of our revenue from either commissions or fees for broking or consulting services. No single client represented a significant concentration of our consolidated revenues for any of the periods presented.

Our shares are traded on the NASDAQ Global Select Market.

Market Conditions

Due to the cyclical nature of the insurance market and the impact of other market conditions on insurance premiums, commission revenues may vary widely between accounting periods. A period of low or declining premium rates, generally known as a 'soft' or 'softening' market, generally leads to downward pressure on commission revenues and can have a material adverse impact on our commission revenues and operating margin. A 'hard' or 'firming' market, during which premium rates rise, generally has a favorable impact on our commission revenues and operating margin. Rates, however, vary by geography, industry and client segment. As a result, and due to the global and diverse nature of our business, we view rates in the aggregate.

Market conditions in our broking industry are generally defined by factors such as the strength of the economies in the various geographic regions in which we serve around the world, insurance rate movements, and insurance and reinsurance buying patterns of our clients.

Management has considered the U.K. referendum vote on June 23, 2016 to depart from the E.U., the triggering of Article 50 of the Treaty of Lisbon (providing the right to and procedures for a member to leave the E.U.) on March 29, 2017, the early general election held on June 8, 2017, and the uncertainties about the near-term and longer-term effects of Brexit on the Company. The terms of Brexit, and its impact, are highly uncertain. For a further discussion of the risks of Brexit to the Company, see 'Principal Risks and Uncertainties' below.

Typically, our business benefits from regulatory change, political risk or economic uncertainty. Insurance broking generally tracks the economy, but demand for both insurance broking and consulting services usually remains steady during times of uncertainty. We have some businesses, such as our health and benefits and administration businesses, which can be counter cyclical during the early period of a significant economic change.

Although approximately 22% of our revenues are generated in the U.K. on an annual basis, only about 13% of revenues are denominated in Pounds sterling as much of the insurance business is transacted in U.S. dollars. Approximately 19% of our expenses are denominated in Pounds sterling, thus we generally benefit from a weakening Pound sterling in our income from operations. However, we have a Company hedging strategy for this aspect of our business, which is designed to mitigate significant fluctuations in currency.

The markets for our consulting, technology and solutions, and marketplace services are subject to changes as a result of economic, regulatory and legislative changes, technological developments, and increased competition from established and new competitors. We believe the primary factors in selecting a human resources or risk management consulting firm include reputation, the ability to provide measurable increases to shareholder value and return on investment, global scale, quality of service and the ability to tailor services to clients' unique needs. With regard to the market for exchanges, we believe that clients base their decisions on a variety of factors that include the ability of the provider to deliver measurable cost savings for clients, a strong reputation for efficient execution and an innovative service delivery model and platform. Part of the employer sponsored insurance market has matured and become more fragmented while other segments remain in the entry phase. As these market segments continue to evolve, we may experience growth in intervals, with periods of accelerated expansion balanced by periods of modest growth.

See 'Principal Risks and Uncertainties' below for discussions of risks that may affect our ability to compete.

Business Strategy

Willis Towers Watson sees that a unified approach to people and risk can be a path to growth for our clients. Our integrated teams bring together our understanding of risk strategies and market analytics. This helps clients around the world to achieve their objectives.

We operate in attractive markets - both growing and mature - with a diversified platform across geographies, industries, segments and lines of business. We aim to create and become the premier advisory, broking and solutions company of choice globally. 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. We also help organizations improve performance through effective people, risk and financial management by focusing on providing human capital and financial consulting services.

We believe we can achieve this by:

- Delivering a powerful client proposition with an integrated global platform. Our combined offerings provide comprehensive advice, analytics, specialty capabilities and solutions covering benefits, benefits delivery solutions, brokerage and advisory, risk and capital management, and talent and rewards;

- Leveraging our combined distribution strength and global footprint to enhance market penetration and provide a platform for further innovation; and
- Underpinning this growth through continuous operational improvement initiatives that help make us more effective and efficient and drive cost synergies. We do this by:
    - continuing to modernize the way we run our business to better serve our clients, enable the skills of our staff, and lower our costs of doing business;
    - making the necessary changes to our processes, our IT, our real estate and workforce locations; and
    - targeting and delivering identified, highly achievable cost savings as a direct consequence of the Merger.

We care as much about how we work as we do about the impact that we make. This means commitment to shared values, a framework that guides how we run our business and serve clients.

Through these strategies we aim to accelerate revenue, cash flow, EBITDA and earnings growth, and generate compelling returns for investors by delivering tangible growth in revenues and capitalizing on the identified cost synergies.

Merger with Towers Watson

On January 4, 2016, pursuant to the Agreement and Plan of Merger, dated June 29, 2015, as amended on November 19, 2015, between Willis, Towers Watson, and Citadel Merger Sub, Inc., a wholly-owned subsidiary of Willis formed for the purpose of facilitating this transaction (‘Merger Sub’), Merger Sub merged with and into Towers Watson, with Towers Watson continuing as the surviving corporation and a wholly-owned subsidiary of Willis.

At the effective time of the Merger (the ‘Effective Time’), each issued and outstanding share of Towers Watson common stock (the ‘Towers Watson shares’), was converted into the right to receive 2.6490 validly issued, fully paid and nonassessable ordinary shares of Willis (the ‘Willis ordinary shares’), $0.000115 nominal value per share, other than any Towers Watson shares owned by Towers Watson, Willis or Merger Sub at the Effective Time and the Towers Watson shares held by stockholders who are entitled to, and who properly exercised, dissenter’s rights under Delaware law.

Immediately following the Merger, Willis effected (i) a consolidation (i.e., a reverse stock split under Irish law) of Willis ordinary shares whereby every 2.6490 Willis ordinary shares were consolidated into one Willis ordinary share ($0.000304635 nominal value per share) and (ii) an amendment to its constitution and other organizational documents to change its name from Willis Group Holdings Public Limited Company to Willis Towers Watson Public Limited Company.

We are continuing our integration of Legacy Willis and Legacy Towers Watson, creating a unified platform for global growth, including positioning the Company to leverage our mutual distribution strength to enhance market penetration, expand our global footprint and create a strong platform for further innovation.

As Reported Consolidated Financial Information

The table below sets forth our summarized consolidated profit and loss account and data as a percentage of revenues for the years ended December 31, 2017, 2016, and 2015.

Consolidated Profit and Loss Account
($ in millions, except per share data)

	Years ended December 31,					
	2017		2016		2015	
Total revenues	$ 8,202	100 %	$ 7,887	100 %	$ 3,829	100 %
Costs of providing services						
Salaries and benefits	4,745	58 %	4,646	59 %	2,303	60 %
Other operating expenses	1,534	19 %	1,501	19 %	768	20 %
Depreciation	203	2 %	178	2 %	95	2 %
Amortization	581	7 %	591	7 %	76	2 %
Restructuring costs	132	2 %	193	2 %	126	3 %
Transaction and integration expenses	269	3 %	177	2 %	84	2 %
Total costs of providing services	7,464		7,286		3,452	
Income from operations	738	9 %	601	8 %	377	10 %
Interest expense	188	2 %	184	2 %	142	4 %
Other expense/(income), net	61	1 %	27	— %	(55)	(1)%
Benefit from income taxes	(100)	(1)%	(76)	(1)%	(53)	(1)%
Interest in earnings of associates, net of tax	3	— %	2	— %	11	— %
Income attributable to minority interests	(24)	— %	(18)	— %	(11)	— %
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	$ 568	7 %	$ 450	6 %	$ 343	9 %
Diluted earnings per share	$ 4.18		$ 3.26		$ 4.97	

The Merger affects the comparability of this data between 2015 and other periods presented. See 'Supplementary Pro Forma Financial Information' for additional analysis.

Consolidated Revenues

We derive the majority of our revenues from commissions from our brokerage businesses and fees for consulting services. Brokerage commissions and fees negotiated in lieu of commissions are recognized at the later of the policy inception date or when the policy placement is complete or as the fees are otherwise determined. Commissions on additional premiums and adjustments are recognized when approved by or agreed between the parties and collectability is reasonably assured. Consulting revenue is generally recognized as services are performed. No single client represented a significant concentration of our consolidated revenues for any of our three most recent financial years.

The following table details our top five markets based on percentage of consolidated revenues (in U.S. dollars) from the countries where work is performed for the year ended December 31, 2017. These figures do not represent the currency of the related revenue, which is presented in the table below.

Geographic Region	% of Revenues
United States	47%
United Kingdom	22%
France	4%
Canada	3%
Germany	3%

The table below details our revenues and expenses by transactional currency for the year ended December 31, 2017.

Transactional Currency	Revenues	Expenses (i)
U.S. dollars	55%	50%
Pounds sterling	13%	19%
Euro	15%	13%
Other currencies	17%	18%

(i) These percentages exclude certain expenses for significant items which will not be settled in cash, or which we believe to be items that are not core to our current or future operations. These items include Merger-related amortization of intangible assets, restructuring costs, and transaction and integration expenses.

The following table sets forth the total revenues for the years ended December 31, 2017 and 2016 and the components of the change in total revenues for the year ended December 31, 2017, as compared to the prior year:

	Years ended December 31,			Components of Change (i)			
	2017	2016	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Total revenues	$ 8,202	$ 7,887	4%	—%	4%	—%	5%

(i) Components of revenue change may not add due to rounding.

Total revenues for the year ended December 31, 2017 were $8.2 billion, compared to $7.9 billion for the year ended December 31, 2016, an increase of $315 million or 4%. This growth in revenues was driven by strong performances in all segments.

Our revenues can be materially impacted by changes in currency conversions, which can fluctuate significantly over the course of a calendar year. For the year ended December 31, 2017, currency translation decreased our consolidated revenues by $27 million. The decrease was driven primarily by a weaker Pound sterling during the first half of the year, partially offset by increases in the Pound sterling, Euro, the Brazilian real and Canadian dollar in the second half of the year.

The impact of acquisitions and divestitures did not have a significant impact on the change in total revenues for the year ended December 31, 2017 since most of these transactions happened in the latter part of the year. Prospectively, our 2018 revenues will exclude a net $65 million related to the impact of various acquisitions and divestitures initiated or completed in 2017.

The following table sets out the total revenues for the years ended December 31, 2016 and 2015 and the components of the change in total revenues for the year ended December 31, 2016, as compared to the prior year:

	Years ended December 31,			Components of Change (i)			
	2016	2015	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Total revenues	$ 7,887	$ 3,829	106%	(6)%	112%	112%	—%

(i) Components of revenue change may not add due to rounding.

Total revenues for the year ended December 31, 2016 were $7.9 billion, compared to $3.8 billion for the year ended December 31, 2015, an increase of $4.1 billion, or 106%. This growth in revenues was driven by our merger with Towers Watson and our acquisition of Gras Savoye.

For the year ended December 31, 2016, the foreign currency impact resulted from the strengthening of the U.S. dollar against a number of currencies, most significantly the Euro and the Pound sterling.

Definitions of Constant Currency Change and Organic Change are included in the section entitled ‘Non-GAAP Financial Measures’ below.

As Reported Segment Revenues

In 2016, we began managing our business across four integrated reportable operating segments: Human Capital and Benefits; Corporate Risk and Broking; Investment, Risk and Reinsurance; and Benefits Delivery and Administration, formerly Exchange Solutions.

Beginning in 2017, we made certain changes that affect our segment results. These changes, which are detailed in the Current Report on Form 8-K filed with the SEC on April 7, 2017, include the realignment of certain businesses within our segments, as well as changes to certain allocation methodologies to better reflect the ongoing nature of our businesses. The prior period comparatives reflected in the tables below have been retrospectively adjusted to reflect our current segment presentation. See Note 4 to the Consolidated Financial Statements for a further discussion of these changes.

Segment revenues exclude amounts that were directly incurred on behalf of our clients and reimbursed by them (reimbursed expenses); however, these amounts are included in consolidated revenues.

The Merger affects the comparability of this data between 2015 and other periods presented. See 'Supplementary Pro Forma Segment Revenues Analysis' below for additional analysis.

Human Capital and Benefits ('HCB')

The HCB segment provides an array of advice, broking, solutions and software for our clients.

HCB is the largest segment of the Company, generating approximately 39% of our segment revenues for the year ended December 31, 2017. HCB is focused on addressing our clients' people and risk needs to help them take on the challenges of operating in a global marketplace. HCB is further strengthened with teams of international consultants that provide support through each of our business units to the global headquarters of multinational clients and their foreign subsidiaries.

The HCB segment provides services through four business units:

- *Retirement* — The Retirement business provides actuarial support, plan design, and administrative services for traditional pension and retirement savings plans. Our colleagues help our clients assess the costs and risks of retirement plans on cash flow, earnings and the balance sheet, the effects of changing workforce demographics on their retirement plans and retiree benefit adequacy and security.
- *Health and Benefits* — The Health & Benefits ('H&B') business provides plan management consulting, broking and administration across the full spectrum of health and group benefit programs, including medical, dental, disability, life and other coverage.
- *Talent & Rewards* — Our Talent & Rewards ('T&R') business provides advice, data, software and products to address clients' total rewards and talent issues.
- *Technology and Administration Solutions* — Our Technology and Administration Solutions ('TAS') business provides benefits outsourcing services to clients outside of the U.S.

The table below presents segment commissions and fees and segment interest and other income for HCB for the years ended December 31, 2017 and 2016.

	December 31,		As Reported Change	Components of Revenue Change (i)			
	2017	2016		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Commissions and fees	$ 3,163	$ 3,100	2%	—%	2%	(1)%	3%
Interest and other income	29	17					
Total segment revenues	$ 3,192	$ 3,117					

(i) Components of revenue change may not add due to rounding.

HCB commissions and fees, and total segment revenues, for the year ended December 31, 2017 were $3.2 billion, compared to $3.1 billion for the year ended December 31, 2016. Retirement revenues increased in Western Europe, International and Great Britain and were partially offset by a decline in North America. The decline in North America was expected as bulk lump sum projects declined year over year. Actuarial consulting projects in Great Britain were strong due to regulation changes. The growth in Talent & Rewards was flat. Healthcare consulting revenues in Health and Benefits were up significantly for all markets globally. North America grew due to increased consulting and product demand and Great Britain grew due to global benefits solutions implementations. Revenue in the Technology and Administration Solutions business in Great Britain experienced strong growth as a result of new administration clients and project activity.

The table below presents segment commissions and fees and segment interest and other income for HCB for the years ended December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015	As reported change
	($ in millions)		
Commissions and fees	$ 3,100	$ 583	432%
Interest and other income	17	1	
Total segment revenues	$ 3,117	$ 584	434%

HCB total segment revenues for the year ended December 31, 2016 were $3.1 billion, compared to $584 million for the year ended December 31, 2015, an increase of $2.5 billion or 434%. This growth in revenues was driven by our Merger and our acquisition of Gras Savoye. See the ‘Supplementary Pro Forma Segment Revenues’ section below for additional discussion of our 2016 results.

Corporate Risk and Broking (‘CRB’)

The CRB segment provides a broad range of risk advice, insurance broking and consulting services to clients worldwide ranging from small businesses to multinational corporations. The segment delivers integrated global solutions tailored to client needs and underpinned by data and analytics.

CRB generated approximately 33% of Willis Towers Watson segment revenues for the year ended December 31, 2017, and places more than $20 billion of premiums into the insurance markets, annually.

CRB operates as an integrated global team comprising both functional and geographic leadership with three global offerings:

- *Property and Casualty* — Property and Casualty provides property and liability insurance brokerage services across a wide range of industries including construction, real estate, healthcare, and natural resources.
- *Financial Lines* — Financial Lines specializes in brokerage services for financial, political and credit risks.
- *Transport* — Transport provides specialist expertise to the transportation, aerospace, marine and inspace industries.

The table below presents segment commissions and fees, and segment interest and other income for CRB for the years ended December 31, 2017 and 2016.

	December 31,			Components of Revenue Change (i)			
	2017	2016	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Commissions and fees	$ 2,625	$ 2,519	4%	—%	4%	—%	4%
Interest and other income	23	28					
Total segment revenues	$ 2,648	$ 2,547					

(i) Components of revenue change may not add due to rounding.

CRB commissions and fees, and total segment revenues for the year ended December 31, 2017 were $2.6 billion, compared to $2.5 billion for the year ended December 31, 2016. All regions contributed to the strong revenue growth led by International followed by Western Europe, North America and Great Britain. International’s growth was fueled by excellent client retention and strong new business. Western Europe, North America and Great Britain experienced good client retention and solid new business growth.

The table below presents segment commissions and fees and segment interest and other income for CRB for the years ended December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015	As reported change
	($ in millions)		
Commissions and fees	$ 2,519	$ 2,332	8%
Interest and other income	28	17	
Total segment revenues	$ 2,547	$ 2,349	8%

CRB total segment revenues for the year ended December 31, 2016 were $2.5 billion, compared to $2.3 billion for the year ended December 31, 2015, an increase of $198 million or 8%. The growth for the year ended December 31, 2016 was primarily due to the acquisition of Gras Savoye, which occurred on December 29, 2015. Great Britain led organic growth with solid revenue increases across all lines of business. Western Europe contributed to organic growth with strong growth in Iberia, partially offset by softness in Italy. North America was flat with strong retention offset by lower new business. International organic revenue declined as a result of lower revenues in Asia and Australasia, partially offset by better performance in Latin America and Central and Eastern Europe, Middle East and Africa ('CEEMEA').

Investment, Risk and Reinsurance ('IRR')

The IRR segment uses a sophisticated approach to risk, which helps clients free up capital and manage investment complexity. The segment works closely with investors, reinsurers and insurers to manage the equation between risk and return. Blending advanced analytics with deep institutional knowledge, IRR identifies new opportunities to maximize performance. IRR provides investment consulting services and insurance specific services and solutions through reserves opinions, software, ratemaking, usage-based insurance, risk underwriting and reinsurance broking.

This segment is our third largest segment and generated approximately 19% of segment revenues for the Company for the year ended December 31, 2017. With approximately 75% of the revenues for this segment split between North America and the U.K., this segment includes the following businesses and offerings:

- *Willis Re* — Willis Re provides reinsurance industry clients with an understanding of how risk affects capital and financial performance and advises on the best ways to manage related outcomes.
- *Insurance Consulting and Technology* — Insurance Consulting and Technology, formerly Risk Consulting and Software, is a global business that provides advice and technology solutions to the insurance industry, as well as to corporate clients with respect to their insurance programs. Services include software and technology, risk and capital management, products and pricing, financial and regulatory reporting, financial and capital modeling, M&A, outsourcing and business management.
- *Investment* — Investment provides advice to improve investment outcomes for asset owners using a broad and sophisticated framework for managing risk.
- *Wholesale Insurance Broking* — Wholesale Insurance Broking provides wholesale and specialist broking services to retail brokers.
- *Portfolio and Underwriting Services* — Portfolio and Underwriting Services acts on behalf of our insurance carrier partners and self-insured entities in product marketing and distribution, risk underwriting and selection, claims management and other general administrative responsibilities.
- *Willis Towers Watson Securities* — Willis Towers Watson Securities, formerly Capital Markets & Advisory, provides investment banking services to companies involved in the insurance and reinsurance industries for a broad array of merger and acquisition transactions as well as capital markets products.
- *Max Matthiessen* — Max Matthiessen is a leading advisor and broker within insurance, benefits, human resources and savings in the Nordic region. The business specializes in providing human capital and benefits administration together with providing market leading savings and insurance solutions.

The table below presents segment commissions and fees, and segment interest and other income for IRR for the years ended December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016	As Reported Change	Components of Revenue Change [i]: Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Commissions and fees	$ 1,505	$ 1,475	2%	(1)%	3%	—%	4%
Interest and other income	30	59					
Total segment revenues	$ 1,535	$ 1,534					

(i) Components of revenue change may not add due to rounding.

IRR commissions and fees and total segment revenues for both years ended December 31, 2017 and 2016 were $1.5 billion. Total segment revenues for the year ended December 31, 2016 included £28 million ($41 million) received for a settlement related to the Fine Arts, Jewellery and Specie Team. Wholesale Insurance Broking, Investment, Insurance Consulting and Technology, Max Matthiessen and Willis Re all posted commissions and fees revenue growth, primarily as a result of strong sales and increased performance fees. Willis Towers Watson Securities growth was flat. The reduction in Portfolio and Underwriting Services commissions and fees was driven by a loss of profit commissions following the Atlantic hurricanes, the cancellation of a key contract, and the divestiture of small programs in the portfolio.

The table below presents segment commissions and fees and segment interest and other income for IRR for the years ended December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015	As reported change
	($ in millions)		
Commissions and fees	$ 1,475	$ 895	65%
Interest and other income	59	1	
Total segment revenues	$ 1,534	$ 896	71%

IRR total segment revenues for the year ended December 31, 2016 were $1.5 billion, compared to $896 million for the year ended December 31, 2015, an increase of $638 million or 71%. This growth in revenues was driven by the Merger and a full year of revenues from Miller, following our acquisition in May 2015. See the 'Supplementary Pro Forma Segment Revenues' section below for additional discussion of our 2016 results.

Benefit Delivery and Administration ('BDA')

The BDA segment, formerly Exchange Solutions, provides primary medical and ancillary benefit exchange and outsourcing services to active employees and retirees across both the group and individual markets. A significant portion of the revenues in this segment is recurring in nature, driven by either the commissions from the policies we sell, or from long-term service contracts with our clients that typically range from three to five years. Revenues across this segment may be seasonal, driven by the magnitude and timing of client transition activities, and we typically increase our membership levels significantly effective January 1, after calendar year-end benefits elections.

BDA generated approximately 9% of our segment revenues for the year ended December 31, 2017. BDA provides services across four integrated or related offerings to customers primarily in the U.S. through four business units:

- *Individual Marketplace (formerly Retiree & Access Exchanges)* — This business provides solutions through a proprietary technology platform, OneExchange Retiree, which enables our employer clients to transition their retirees to individual, defined contribution health plans that provide individuals with a tax-free allowance or contribution to spend on healthcare services at an annual cost that the employer controls, as opposed to group-based, defined benefit health plans that provide groups of individuals with healthcare benefits at uncertain annual costs.
- *Group Marketplace (formerly Active Exchanges)* — This business is focused on delivering group benefit exchanges, serving the active employees of employers across the United States through our proprietary BenefitConnect or Bright Choices exchange platforms.

- *Benefits Outsourcing (formerly Technology and Administration Solutions)* — Through our proprietary BenefitConnect technology, this business provides a broad suite of health and welfare outsourcing services as well as decision support and modeling tools for pension users within the U.S.
- *Benefits Accounts (formerly Consumer-Directed Accounts)* — This business uses its SaaS-based technology and related services to deliver consumer-driven healthcare and reimbursement accounts, including health savings accounts, health reimbursement arrangements and other consumer-directed accounts.

The table below presents segment commissions and fees, and segment interest and other income for BDA for the years ended December 31, 2017 and 2016.

	December 31,		As Reported Change	Components of Revenue Change (i)			
	2017	2016		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Commissions and fees	$ 729	$ 652	12%	—%	12%	—%	12%
Interest and other income	—	2					
Total segment revenues	$ 729	$ 654					

(i) Components of revenue change may not add due to rounding.

BDA total segment revenues for the years ended December 31, 2017 and 2016 were $729 million and $654 million, respectively. Individual Marketplace revenues increased by 10%, and the rest of the segment grew by 14%, led by Group Marketplace and Benefits Outsourcing. Growth in the Individual and Group Marketplaces resulted from the additional 2017 enrollments, and Benefits Outsourcing's growth was a result of new client wins and special projects.

See the 'Supplementary Pro Forma Segment Revenues' section below for additional discussion of our 2016 results.

Costs of Providing Services

Total costs of providing services were $7.5 billion for the year ended December 31, 2017, compared to $7.3 billion for the year ended December 31, 2016, an increase of $178 million, or 2%. Total costs of providing services were $7.3 billion for the year ended December 31, 2016, compared to $3.5 billion for the year ended December 31, 2015, an increase of $3.8 billion. See the analysis below for further information.

Salaries and Benefits

Salaries and benefits for the years ended December 31, 2017 and December 31, 2016 were $4.7 billion and $4.6 billion, respectively, an increase of $99 million. The increase was primarily a result of a $36 million pension settlement charge related to our U.K. pension plan as well as higher incentive accruals as compared to the prior year. Salaries and benefits for the years ended December 31, 2016 and December 31, 2015 were $4.6 billion and $2.3 billion, respectively, an increase of $2.3 billion. The increase in expenses was primarily driven by the Merger and our acquisition of Gras Savoye. As a percentage of revenues, salaries and benefits expenses represented 58%, 59% and 60% for the years ended December 31, 2017, 2016 and 2015, respectively.

Other Operating Expenses

Other operating expenses include occupancy, legal, marketing, licenses, royalties, supplies, technology, printing and telephone costs, as well as insurance, including premiums on excess insurance and losses on professional liability claims, non-client-reimbursed travel by colleagues, publications, professional subscriptions and development, recruitment, other professional fees and irrecoverable value added and sales taxes.

Other operating expenses for the years ended December 31, 2017 and December 31, 2016 were $1.5 billion and $1.5 billion, respectively, an increase of $33 million. The increase was due primarily to reserves for the City of Houston and CalPERS litigations and increases in other litigation reserves and professional services in 2017. Other operating expenses for the years ended December 31, 2016 and December 31, 2015 were $1.5 billion and $768 million, respectively, an increase of $733 million. The increase was primarily driven by the Merger and our acquisition of Gras Savoye. In 2016, we accrued $nil for the Stanford litigation, which was $120 million less than the $120 million accrued in 2015.

Depreciation

Depreciation represents the expense incurred over the useful life of our tangible fixed assets and internally developed software. Depreciation for the years ended December 31, 2017 and December 31, 2016 was $203 million and $178 million, respectively, an increase of $25 million. This increase was due primarily to a higher depreciable base of assets resulting from additional assets placed in service in 2016. Depreciation expense for the years ended December 31, 2016 and December 31, 2015 was $178 million and $95 million, respectively, an increase of $83 million. This increase was primarily driven by the Merger and our acquisition of Gras Savoye.

Amortization

Amortization includes amortization of acquired intangible assets, including acquired internally developed software. Amortization for the years ended December 31, 2017 and December 31, 2016 was $581 million and $591 million, respectively, a decrease of $10 million. Our intangible amortization is more heavily weighted to the initial years of the useful lives of the related intangibles, and therefore amortization expense will decrease over time. Amortization for the years ended December 31, 2016 and December 31, 2015 was $591 million and $76 million, respectively, an increase of $515 million. The primary driver of the increase in amortization was our acquisition of approximately $4.0 billion in intangible assets in our Merger with Towers Watson and our acquisition of $231 million and $440 million of intangible assets related to our acquisitions of Miller and Gras Savoye, respectively.

Restructuring Costs

Restructuring costs for the year ended December 31, 2017 were $132 million, all of which related to the final year of the Operational Improvement Program ('OIP'). Restructuring costs for the year ended December 31, 2016 were $193 million, of which $145 million related to the OIP and $48 million related to the Business Restructuring Program. Restructuring costs for the year ended December 31, 2015 were $126 million, all of which was related to the OIP. See our discussion in the Operational Improvement Program and Business Restructuring Program section herein and Note 5 to the Consolidated Financial Statements for additional details about these expenses.

Transaction and integration expenses

Transaction and integration expenses for the year ended December 31, 2017 were $269 million, which consists of costs associated with our information technology and finance initiatives and rationalization, property consolidation, benefits harmonization and costs associated with the settlement of the Merger-related appraisal demand lawsuit (see Note 14 to the Consolidated Financial Statements). Transaction and integration expenses for the year ended December 31, 2016 were $177 million. Approximately $162 million of these expenses were related to the Merger and $15 million were related to the acquisition of Gras Savoye. Transaction and integration expenses for the year ended December 31, 2015 were $84 million. Approximately $58 million of these expenses were related to the Merger, $15 million were related to the acquisition of Gras Savoye and $11 million were related to our acquisition of Miller.

Income from Operations

Income from operations for the year ended December 31, 2017 was $738 million compared to $601 million for the year ended December 31, 2016, an increase of $137 million, or 23%. This increase resulted primarily from additional revenue of $315 million driven by growth across all segments, partially offset by additional costs resulting primarily from our integration activities and additional salary and benefits costs. Income from operations for the year ended December 31, 2016 was $601 million compared to $377 million for the year ended December 31, 2015, an increase of $224 million or 59%. The growth in income from operations compared to that of 2015 was primarily driven by the Merger and our acquisition of Gras Savoye.

Interest Expense

Interest expense for the years ended December 31, 2017, 2016 and 2015 was $188 million, $184 million and $142 million, respectively. Interest expense is primarily related to interest on our senior notes and term loans. Interest expense increased by $4 million for the year ended December 31, 2017, which primarily resulted from additional levels of indebtedness. Interest expense increased by $42 million for the year ended December 31, 2016, which was primarily related to additional debt acquired in the Merger and as part of the acquisition of Gras Savoye.

Other Expense/(Income), Net

Other expense/(income), net, includes other gains and losses, including gains and losses on foreign currency transactions. Other expense/(income), net for the years ended December 31, 2017 and 2016 was expense of $61 million and $27 million, respectively, which were primarily foreign currency transaction losses. Other expense/(income), net for the year ended December 31, 2015 was income of $55 million, which included gains on disposals of operations of $25 million, and a gain on re-measurement of equity interests related to the Gras Savoye acquisition of $59 million, partially offset by the $30 million impact of the Venezuelan currency devaluation.

Benefit from Income Taxes

Benefit from income taxes for the years ended December 31, 2017, 2016 and 2015 was $100 million, $76 million and $53 million, respectively. The benefit in 2017 was primarily due to the impact of U.S. Tax Reform. The provisional net benefit of $204 million includes a $208 million net benefit due to the reduction in the federal corporate tax rate and re-measurement of net U.S. deferred tax liabilities primarily related to acquisition-based intangibles. The benefit from income taxes in 2016 was primarily due to the release of a portion of U.S. valuation allowances and shifts in the global mix of income as a result of the Merger. This shift resulted in additional deductions in jurisdictions with high statutory income tax rates, which reduced the global effective tax rate. The benefit from income taxes in 2015 was primarily due to an income tax benefit from the release of a portion of U.S. valuation allowances.

Net income attributable to Willis Towers Watson

Net income attributable to Willis Towers Watson for the year ended December 31, 2017 was $568 million, an increase of $118 million compared to $450 million for the year ended December 31, 2016. The increase was primarily driven by an improvement of $137 million in income from operations partially offset by a $34 million increase to expense in other expense/(income), net. Net income attributable to Willis Towers Watson for the year ended December 31, 2016 was $450 million, an increase of $107 million compared to $343 million for the year ended December 31, 2015. The growth was primarily driven by an improvement of $224 million in income from operations and an increase of $23 million in the benefit from income taxes, partially offset by a $42 million increase in interest expense and an $82 million increase to expense in other expense/(income), net.

Supplementary Pro Forma Financial Information

To assist the reader in understanding our comparative analysis, we have included discussion and analysis of pro forma financial information for Willis Towers Watson as if the Towers Watson Merger had occurred on January 1, 2015.

The pro forma financial information for the year ended December 31, 2015 combines: (i) the historical consolidated statement of operations of Willis Towers Watson for the year ended December 31, 2015 and (ii) the historical consolidated statement of operations of Towers Watson for the financial year ended June 30, 2015 less the historical consolidated statement of operations of Towers Watson for the six months ended December 31, 2014, plus the historical consolidated statement of operations of Towers Watson for the six months ended December 31, 2015.

The pro forma financial information is only for Willis and Towers Watson and does not include Gras Savoye or other merger or acquisition activity on a pro forma basis.

Pro forma financial information is for illustrative purposes only, and is based on adjustments that are estimates based upon available information and certain assumptions that Willis Towers Watson management believes are reasonable under the circumstances, as described in 'Pro Forma Adjustments' below. The pro forma financial information has not been adjusted to give effect to certain expected financial benefits of the Merger, such as revenue synergies, tax savings and cost synergies, or the anticipated costs to achieve these benefits, including the cost of integration activities. The pro forma financial information does not purport to represent what the actual consolidated results of operations of Willis Towers Watson would have been had the Merger occurred on the date indicated, nor is it necessarily indicative of future consolidated results of operations. The actual results of operations will differ, potentially significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results following the date of the unaudited pro forma financial information.

Pro Forma Consolidated Profit and Loss Account
(in millions of U.S. dollars, except per share data)

	Years ended December 31,										
	2016		2015								
	Willis Towers Watson		Legacy Willis	Legacy Towers Watson		Pro Forma Adjustments			Pro Forma Willis Towers Watson		
Total revenues	$ 7,887	100%	$ 3,829	$ 3,664	b	$ (1)	a		$ 7,492	100%	
Costs of providing services											
Salaries and benefits	4,646	59%	2,303	2,161		(33)	c		4,431	59%	
Other operating expenses	1,501	19%	768	725	b	3	a, d		1,496	20%	
Depreciation	178	2%	95	110		(46)	e		159	2%	
Amortization	591	7%	76	71		388	f		535	7%	
Restructuring costs	193	2%	126	—		—			126	2%	
Transaction and integration expenses	177	2%	84	97		(151)	k		30	—%	
Total costs of providing services	7,286	92%	3,452	3,164		161			6,777	90%	
Income from operations	601	8%	377	500		(162)			715	10%	
Interest expense	184	2%	142	9		13	g		164	2%	
Other expense/(income), net	27	—%	(55)	(57)		—			(112)	(1)%	
(Benefit from)/provision for income taxes	(76)	(1)%	(53)	217		(114)	h		50	1%	
Interest in earnings of associates, net of tax	2	—%	11	(2)		—			9	—%	
Net income	468	6%	354	329		(61)			622	8%	
Income attributable to minority interests	(18)	—%	(11)	(1)		—			(12)	—%	
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	$ 450	6%	$ 343	$ 328		$ (61)			$ 610	8%	
Basic earnings per share	$ 3.28		$ 5.04	$ 4.75					$ 4.45		i, j
Diluted earnings per share	$ 3.26		$ 4.97	$ 4.75					$ 4.42		i, j

Pro Forma Adjustments

The unaudited pro forma financial information reflects the following adjustments:

a. *Intercompany trading*. Adjustments to eliminate trading between Legacy Willis and Legacy Towers Watson of $1 million for the year ended December 31, 2015.

b. *Conforming reclassifications and adjustments*. Certain reclassifications have been made to amounts in the Towers Watson historical statement of operations to conform to Willis' presentation, including reclassifying certain contra revenue accounts and Towers Watson's professional and subcontracted services, occupancy and general and administrative expenses within the relevant Willis captions.

c. *Pension and post-retirement benefit amortization.* Adjustments to remove the net periodic benefit costs of $33 million for the year ended December 31, 2015 associated with the amortization of net actuarial losses and prior service credits/ costs for Towers Watson's pension and other post-retirement benefit plans.

d. *Rent.* Adjustment to eliminate $5 million of historical rent expense for the year ended December 31, 2015 offset by $1 million amortization of our favorable and unfavorable lease agreements.

e. *Depreciation.* Adjustment related to depreciation on internally developed software of $57 million partially offset by an increase of $11 million for the year ended December 31, 2015 due to an increase in the estimated fair value for leasehold improvements, furniture and fixtures and computer hardware and software.

f. *Amortization.* Historical amortization expense of $71 million was removed and amortization expense of $459 million has been recorded to reflect the estimated fair values of Towers Watson's identifiable intangible assets and related amortization. See Notes 3 and 7 to the Consolidated Financial Statements.

g. *Interest Expense.* Net adjustments to interest expense include additional interest and amortization of related deferred debt issuance costs. Approximately $13 million incremental interest expense was recorded for the year ended December 31, 2015 related to a borrowing under a $340 million term loan as part of the funding for the pre-Merger special dividend on December 29, 2015 and the portion of the senior notes issuance used to repay Towers Watson's existing debt at the time of the Merger.

h. *Income taxes.* Adjustments to record the income tax impact of the pro forma adjustments, including the removal of the tax consequences of the repatriation of foreign earnings to partially fund the pre-Merger special dividend. The income tax expense was calculated based on the U.S. and foreign statutory rates applicable to adjustments made. Where applicable, a U.S. statutory rate of 40% was used. Pro forma adjustments for income tax purposes have been determined without regard to potential tax planning strategies that may result from the Merger of Towers Watson with Willis. Tax benefits from the Merger have not been considered in our pro forma adjustments.

i. *Willis ordinary shares issuance.* Approximately 184 million Willis ordinary shares (prior to the reverse stock split) were issued to Towers Watson stockholders as the Merger Consideration in connection with the Merger, based on Towers Watson shares of common stock outstanding as of January 4, 2016, at a per share price of $47.18, which was the closing share price on that date, for a total value of approximately $8.7 billion.

j. *Earnings per share.* The pro forma consolidated basic and diluted earnings per share for the year ended December 31, 2015 are calculated as follows:

	Year Ended December 31, 2015
	(in millions, except per share data)
Willis historic average basic shares in issue (i)	68
Shares issued for Towers Watson (ii)	69
Willis historic average basic shares in issue	137
Dilutive effect of securities	1
Diluted weighted average shares outstanding	138
Pro forma net income attributable to Willis Towers Watson	$ 610
Basic earnings per share	$ 4.45
Diluted earnings per share	$ 4.42

(i) After taking into account the impact of the reverse stock split on January 4, 2016.
(ii) Shares issued for Towers Watson based on approximately 69 million Towers Watson shares outstanding at January 4, 2016.

k. *Transaction and integration expenses.* Transaction and integration costs related to the Merger have been eliminated.

Consolidated Revenues

The following table sets out the total revenues generated for the year ended December 31, 2016, pro forma revenues generated for the year ended December 31, 2015, and the components of the change for the year ended December 31, 2016, as compared to the pro forma prior year.

	Years ended December 31,			Components of Change			
	2016	Pro Forma 2015	Pro Forma Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Total revenues	$ 7,887	$ 7,492	5%	(3)%	8%	7%	1%

Total revenues for the year ended December 31, 2016 were $7.9 billion, compared to $7.5 billion pro forma revenues for the year ended December 31, 2015, an increase of $395 million, or 5%. This growth was driven by a 7% increase due to our acquisitions of Gras Savoye and Miller and 1% organic revenue growth, partially offset by adverse foreign currency exchange movements of 3%. The primary drivers of our growth were within our Corporate Risk and Broking and Benefits Delivery and Administration, formerly Exchange Solutions, segments. See our segment revenues analysis for a further discussion of our segment results.

Our results can be materially impacted by changes in currency conversions, which can fluctuate significantly over the course of a calendar year. For the year ended December 31, 2016, currency translation decreased our consolidated revenues by $202 million on a constant currency basis from the pro forma year ended December 31, 2015. The primary currency driving the change was the Pound sterling which weakened against the U.S. dollar during 2016.

The organic change presented above includes the reduction to revenues for the year ended December 31, 2016 related to the fair value adjustment for deferred revenue made during purchase accounting for the Merger. If this revenue had not been reduced, the constant currency change would have been an increase of 9% and the organic change would have been an increase of 2%, respectively, for the year ended December 31, 2016.

Definitions of Constant Currency Change and Organic Change are included in the section entitled 'Non-GAAP Financial Measures' below.

Costs of Providing Services

Total costs of providing services were $7.3 billion for the year ended December 31, 2016, compared to $6.8 billion for the pro forma year ended December 31, 2015, an increase of $509 million or 8%. See the analysis below for further information.

Salaries and Benefits

Salaries and benefits were $4.6 billion for the year ended December 31, 2016, an increase of $215 million, or 5%, compared to $4.4 billion for the pro forma year ended December 31, 2015. The increase was primarily related to our acquisitions of Gras Savoye and Miller, which contributed approximately $291 million of the increase, partially offset by increased net periodic benefit credits from the adoption of the granular approach to calculating service and interest costs of $51 million.

Other Operating Expenses

Other operating expenses include occupancy, legal, marketing, licenses, royalties, supplies, technology, printing and telephone costs, as well as insurance, including premiums on excess insurance and losses on professional liability claims, non-client-reimbursed travel by colleagues, publications, professional subscriptions and development, recruitment, other professional fees and irrecoverable value added and sales taxes.

Other operating expenses for the year ended December 31, 2016 were $1.5 billion, compared to $1.5 billion for the pro forma year ended December 31, 2015, an increase of $5 million or 0%. The increase was primarily related to our acquisitions of Gras Savoye and Miller, which contributed approximately $135 million of the increase. In 2016, we accrued $nil for the Stanford litigation, which was $120 million less than the $120 million accrued in 2015.

Depreciation

Depreciation represents the expense incurred over the useful life of our tangible fixed assets and internally developed software. Depreciation was $178 million for the year ended December 31, 2016, an increase of $19 million, or 12%, compared to $159 million for the pro forma year ended December 31, 2015. The increase was primarily related to our acquisitions of Gras Savoye and Miller and our normal capital expenditures.

Amortization

Amortization includes amortization of acquired intangible assets, including acquired internally developed software. Amortization was $591 million for the year ended December 31, 2016, an increase of $56 million, or 10%, compared to $535 million for the pro forma year ended December 31, 2015. The increase in amortization in 2016 is primarily due to amortization of the intangible assets acquired in our acquisitions of Gras Savoye and Miller. We acquired approximately $231 million and $440 million in intangible assets in our acquisitions of Miller and Gras Savoye, respectively. These intangible assets are amortized over their expected lives which range from 4 to 25 years. See Notes 3 and 7 to the Consolidated Financial Statements for additional information about our intangible assets.

Transaction and integration expenses

Transaction and integration expenses were $177 million for the year ended December 31, 2016, an increase of $147 million compared to $30 million for the pro forma year ended December 31, 2015. The increase in 2016 is primarily due to integration expenses incurred subsequent to the Merger. For the year ended December 31, 2016, approximately $162 million of these expenses were related to the Merger and $15 million were related to the integration of Gras Savoye. For the pro forma year ended December 31, 2015, transaction expenses related to the Merger of $151 million have been eliminated as part of the pro forma adjustments. Of the remaining $30 million of transaction and integration expenses, approximately $15 million were related to Gras Savoye, $11 million were related to Miller, and $4 million were related to other miscellaneous M&A activity.

Restructuring costs and Interest expense

Please see the discussion in the 'As Reported Consolidated Financial Information' section above.

Income from Operations

Income from operations for the year ended December 31, 2016 was $601 million, compared to $715 million for the pro forma year ended December 31, 2015, a decrease of $114 million. The decrease was primarily due to increases in transaction and integration expenses of $147 million and restructuring costs of $67 million, partially offset by the $120 million decrease in operating expenses arising from the Stanford litigation.

Other Expense/(Income), Net

Other expense/(income), net, includes other gains and losses, including gains and losses on foreign currency transactions. Other expense/(income), net, for the year ended December 31, 2016 was $27 million of net expense, which was primarily foreign currency transaction losses. Other expense/(income), net for the pro forma year ended December 31, 2015 was $112 million of net income, which was primarily due to $80 million of gains on disposals of operations and $59 million in the gain on the re-measurement of equity interests, partially offset by $30 million in foreign currency transaction losses in 2015.

(Benefit from)/Provision for Income Taxes

For the year ended December 31, 2016, there was a $76 million benefit from income taxes, due primarily to a benefit from the release of a portion of our U.S. valuation allowances and shifts in the global mix of income as a result of the Merger. This shift creates additional deductions in jurisdictions with high statutory income tax rates, which reduces the global effective tax rate. For the pro forma year ended December 31, 2015, there was a provision for income taxes of $50 million. Legacy Willis had a benefit from income taxes due to the release of a portion of U.S. valuation allowances in 2015 which was more than offset by the provision for income taxes for Legacy Towers Watson.

Net Income Attributable to Willis Towers Watson

Net income attributable to Willis Towers Watson for the year ended December 31, 2016 was $450 million, a decrease of $160 million compared to $610 million for the pro forma year ended December 31, 2015. The decrease was primarily driven by increased transaction and integration expenses of $147 million and restructuring costs of $67 million in 2016 and gains on disposals of $80 million and re-measurement of equity interests of $59 million in 2015, partially offset by a decrease in income tax expense of $126 million and the $120 million decrease in the litigation provision relating to the Stanford litigation.

Supplementary Pro Forma Segment Revenues

Beginning in 2017, we made certain changes that affect our segment results. These changes, which are detailed in the Current Report on Form 8-K filed with the SEC on April 7, 2017, include the realignment of certain businesses within our segments, as well as changes to certain allocation methodologies to better reflect the ongoing nature of our businesses. The prior period comparatives reflected in the tables below have been retrospectively adjusted to reflect our current segment presentation. See Note 4 to the Consolidated Financial Statements for a further discussion of these changes.

Human Capital and Benefits

The following table sets out the components of HCB revenues for the year ended December 31, 2016 and pro forma revenues for the year ended December 31, 2015, and the components of the change in commissions and fees for the year ended December 31, 2016 as compared to the pro forma prior year.

	Years ended December 31,			Components of Change			
	2016	Pro Forma 2015	Pro Forma Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Commissions and fees	$ 3,100	$ 3,038	2%	(3)%	5%	5%	—%
Interest and other income	17	16					
Total segment revenues	$ 3,117	$ 3,054					

HCB total segment revenues for the year ended December 31, 2016 and pro forma for the year ended December 31, 2015 were $3.1 billion; commissions and fees for the year ended December 31, 2016 were $3.1 billion, compared with pro forma $3.0 billion for the year ended December 31, 2015, representing an increase of $63 million to total segment revenues and an increase of $62 million to commissions and fees. Pro forma and constant currency revenue growth were driven by the acquisition of Gras Savoye, which occurred on December 29, 2015. In an effort to align resources and market demand, a significant restructuring across all lines of business took place during the second half of 2016, which caused disruption in our billable hours. Across the segment, performance was mixed, resulting in flat organic growth. Retirement revenues declined slightly as a result of reduced actuarial consulting, primarily in the fourth quarter. The Health and Benefits North America consulting business continued to see demand for plan design projects and increased product revenue. The Talent and Rewards advisory business was down period-over-period as the M&A market softened. The Technology and Administration Solutions Great Britain business had strong performance, led by increased project and administration activity along with new clients. Internationally, Global Wealth Solutions has been negatively impacted by adverse conditions in the Greater China market.

Corporate Risk and Broking

The following table sets out the components of CRB revenues for the year ended December 31, 2016 and pro forma revenues for the year ended December 31, 2015, and the components of the change in commissions and fees for the year ended December 31, 2016 as compared to the pro forma prior year.

	Years ended December 31,			Components of Change			
	2016	Pro Forma 2015	Pro Forma Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Commissions and fees	$ 2,519	$ 2,331	8%	(3)%	11%	12%	(1)%
Interest and other income	28	17					
Total segment revenues	$ 2,547	$ 2,348					

CRB total segment and commissions and fees revenues for the year ended December 31, 2016 were $2.5 billion, compared to pro forma $2.3 billion for the year ended December 31, 2015. The growth for the year ended December 31, 2016 was due to the acquisition of Gras Savoye, which occurred on December 29, 2015. International organic revenue declined as a result of lower revenues in Asia and Australasia, partially offset by better performance in Latin America and CEEMEA. Offsetting the International decline was Great Britain’s organic growth as a result of solid revenue increases across all lines of business. Western Europe contributed to organic growth with strong revenue gains in Iberia, partially offset by softness in Italy. North America was flat with strong retention offset by lower new business.

Investment, Risk and Reinsurance

The following table sets out the components of IRR revenues for the year ended December 31, 2016 and pro forma revenues for the year ended December 31, 2015, and the components of the change in commissions and fees for the year ended December 31, 2016 as compared to the pro forma prior year.

	Years ended December 31,			Components of Change			
	2016	Pro Forma 2015	Pro Forma Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Commissions and fees	$ 1,475	$ 1,482	—%	(3)%	3%	6%	(3)%
Interest and other income	59	12					
Total segment revenues	$ 1,534	$ 1,494					

IRR total segment revenues for the year ended December 31, 2016 and pro forma for the year ended December 31, 2015 were $1.5 billion. Included in total segment revenues for the year ended December 31, 2016 is a previously disclosed settlement with JLT of £28 million ($41 million) related to the Fine Art, Jewellery and Specie team. Commissions and fees for the year ended December 31, 2016 and pro forma for the year ended December 31, 2015 were $1.5 billion, representing a decrease of $7 million. The organic decline was primarily related to the following factors: soft market conditions and renewal factors impacting our Willis Re and Portfolio and Underwriting Services businesses, particularly in North America; a decline in overall insurance industry M&A activity impacting our Willis Towers Watson Securities business after a record year in 2015; and a decline arising from lower demand in risk consulting projects.

Benefit Delivery and Administration

The following table sets out the components of BDA revenues for the year ended December 31, 2016 and pro forma revenues for the year ended December 31, 2015, and the components of the change in commissions and fees for the year ended December 31, 2016 as compared to the pro forma prior year.

	Years ended December 31,			Components of Change			
	2016	Pro Forma 2015	Pro Forma Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Commissions and fees	$ 652	$ 484	35%	—%	35%	2%	33%
Interest and other income	2	3					
Total segment revenues	$ 654	$ 487					

BDA total segment revenues for the year ended December 31, 2016 were $654 million, compared to pro forma $487 million for the year ended December 31, 2015; and commissions and fees for the year ended December 31, 2016 were $652 million, compared to pro forma $484 million for the year ended December 31, 2015. Individual Marketplace commissions and fees increased by 41%, primarily as a result of the record 2016 annual enrollment season. The rest of the segment commissions and fees increased by 27%, primarily due to Benefits Outsourcing adding new clients and experiencing higher project activity.

Impact of U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, commonly referred to as U.S. Tax Reform. U.S. Tax Reform makes broad and complex changes to the U.S. tax code, including, but not limited to: (1) requiring a one-time transition tax on certain unremitted earnings of foreign subsidiaries that may be payable over eight years; (2) bonus depreciation that will allow for a full expensing of qualified property; (3) reduction of the federal corporate tax rate from 35% to 21%; (4) a new provision designed to tax global intangible low-taxed income (‘GILTI’), which allows for the possibility of using foreign tax credits (‘FTCs’) and a deduction of up to 50% to offset the income tax liability (subject to some limitations); (5) a new limitation on deductible interest expense; (6) limitations on the deductibility of certain executive compensation; (7) limitations on the use of FTCs to reduce the U.S. income tax liability; (8) the creation of the base erosion anti-abuse tax (‘BEAT’), a new minimum tax; and (9) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries.

Also on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ('SAB 118'), which provides guidance on accounting for the tax effects of the U.S. Tax Reform. SAB 118 provides for a measurement period that should not extend beyond one year from the U.S. Tax Reform enactment date for companies to complete the accounting under Accounting Standards Codification ('ASC') 740, *Income Taxes* ('ASC 740'). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of U.S. Tax Reform for which the accounting under ASC 740 is complete. Adjustments to incomplete and unknown amounts will be recorded and disclosed prospectively during the measurement period. To the extent that a company's accounting for certain income tax effects of U.S. Tax Reform is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of U.S. Tax Reform.

At December 31, 2017, there are no material elements of U.S. Tax Reform for which the Company's accounting is complete. While the Company's accounting for the following elements of U.S. Tax Reform is incomplete, the Company was able to make reasonable estimates of certain effects. Accordingly, the Company recorded provisional adjustments for the following significant items:

Reduction of the federal corporate tax rate – Beginning January 1, 2018, the Company's U.S. income will be taxed at a 21% federal corporate tax rate. Under ASC 740, deferred tax assets and liabilities must be recalculated as of the enactment date using current tax laws and rates expected to be in effect when the deferred tax items reverse in future periods, which is 21%. Consequently, the Company has recorded a provisional decrease in its net deferred tax liabilities of $208 million, with a corresponding deferred income tax benefit of $208 million. While the Company is able to make a reasonable estimate of the impact of the reduction in the federal corporate tax rate, it may be affected by other analyses related to U.S. Tax Reform that could result in other adjustments to U.S. federal deferred tax balances, including analysis of tax amounts in other comprehensive income and any future guidance issued.

One-time transition tax – The one-time transition tax is based on the Company's total post-1986 earnings and profits ('E&P') that it previously deferred from U.S. income taxes. The Company recorded a provisional amount for the one-time transition tax liability for its foreign subsidiaries owned by U.S. corporate shareholders, resulting in an increase in U.S. federal income tax expense of $70 million and state income tax expense of $2 million. The Company has a significant number of foreign subsidiaries and therefore has not yet completed its calculation of the total post-1986 E&P as well as non-U.S. income taxes paid for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets, including trade receivables based on estimates. The Company expects to revise its estimates of E&P, non-U.S. income taxes and cash balances throughout 2018 when actual results are available. In addition, guidance may be released which could also impact these estimates.

Indefinite reinvestment assertion – Beginning in 2018, U.S. Tax Reform provides a 100% deduction for dividends received from 10-percent owned foreign corporations by U.S. corporate shareholders, subject to a one-year holding period. Although dividend income is now exempt from U.S. federal tax for U.S. corporate shareholders, companies must still account for the tax consequences of outside basis differences and other tax impacts of their investments in non-U.S. subsidiaries. As a result of U.S. Tax Reform we have analyzed our global working capital and cash requirements and the potential tax liabilities attributable to a repatriation and have determined that we may repatriate up to $219 million, the majority of which was previously deemed indefinitely reinvested. For those investments from which we were able to make a reasonable estimate of the tax effects of such repatriation, we have recorded a provisional estimate for foreign withholding and state income taxes of $1 million. In addition, we re-measured the existing deferred tax liability accrued on certain acquired Towers Watson subsidiaries and released the deferred tax liability relating to the outside basis difference. This resulted in an income tax benefit of $76 million as these foreign earnings were subject to the one-time transition tax which reduced the outside basis difference.

Bonus Depreciation – While the Company has not completed its determination of all capital expenditures that qualify for immediate expensing, for the year ended December 31, 2017, the Company recorded a provisional tax deduction of $40 million based on its current intent to fully expense all qualifying expenditures. The Company will analyze the dates all capital expenditures were placed in service or acquired and consider any future guidance within the next twelve months to finalize the deduction. This resulted in an increase of approximately $14 million to the Company's U.S. federal current income taxes receivable and a corresponding increase in its net deferred tax liabilities of approximately $14 million.

Executive compensation – Starting with compensation paid in 2018, Section 162(m) will limit the Company from deducting compensation, including performance-based compensation, in excess of $1 million paid to anyone who, starting in 2018, serves as the Chief Executive Officer or Chief Financial Officer, or who is among the three most highly compensated executive officers. The only exception to this rule is for compensation that is paid pursuant to a binding contract in effect on November 2, 2017 that would have otherwise been deductible under the prior Section 162(m) rules.

Accordingly, any compensation paid in the future pursuant to new compensation arrangements entered into after November 2, 2017, even if performance-based, will count towards the $1 million deduction limit if paid to a covered executive. The Company recorded a provisional income tax expense of $8 million relating to our compensation plans not qualifying for the binding contract exception. We are in the process of obtaining additional information needed to complete our analysis of the binding contract requirement on the various compensation plans to determine the full impact of the law change. In addition, guidance may be released which could also impact our estimates.

The Company's accounting for the following law changes of U.S. Tax Reform is incomplete, and it is not yet able to make reasonable estimates of the effects. Therefore, no provisional adjustment was recorded.

GILTI – U.S. Tax Reform creates a new requirement that certain income (i.e., GILTI) earned by controlled foreign corporations ('CFCs') must be included currently in the gross income of the CFCs' U.S. shareholder. GILTI is the excess of the shareholder's 'net CFC tested income' over the net deemed tangible income return, which is currently defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in the determination of net CFC-tested income. Because of the complexity of the new GILTI tax rules, the Company is continuing to evaluate this provision of U.S. Tax Reform and the application of ASC 740. Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the 'period cost method') or (2) factoring such amounts into a company's measurement of its deferred taxes (the 'deferred method'). The Company's selection of an accounting policy with respect to the new GILTI tax rules will depend, in part, on analyzing its global income of its CFCs to determine whether it expects to have future U.S. inclusions in taxable income related to GILTI and, if so, what the impact is expected to be. Because whether the Company expects to have future U.S. inclusions in taxable income related to GILTI depends on not only its current structure and estimated future results of global operations but also its intent and ability to modify its structure and/or its business, the Company is not yet able to reasonably estimate the effect of this provision of U.S. Tax Reform. Therefore, it has not made any adjustments related to potential GILTI tax in its consolidated financial statements and has not made a policy decision.

Valuation allowances – The Company must assess whether valuation allowances assessments are affected by various aspects of U.S. Tax Reform (e.g., limitation on net interest expense in excess of 30% of adjusted taxable income). As of December 31, 2017, no changes to valuation allowances have been recorded as a result of U.S. Tax Reform.

Restructuring Programs

Operational Improvement Program

In April 2014, Legacy Willis announced a multi-year operational improvement program designed to strengthen its client service capabilities and deliver future cost savings. The main elements of the program, which was completed during 2017, included: moving more than 3,500 support roles from higher cost locations to facilities in lower cost locations; net workforce reductions in support positions; lease consolidation in real estate; and information technology systems simplification and rationalization.

The Company is expecting to deliver $325 million of annual cost savings beginning in 2018. To achieve these savings, it has incurred cumulative restructuring charges of $441 million for the program since it began in the second quarter of 2014.

An analysis of cumulative restructuring costs recognized for the Operational Improvement Program from its commencement through the year ended December 31, 2017 by segment is as follows:

	HCB	CRB	IRR	BDA	Corporate	Total
	(in millions)					
2014						
Termination benefits	$ —	$ 15	$ 1	$ —	$ —	$ 16
Professional services and other [(i)]	—	3	—	—	17	20
2015						
Termination benefits	$ 2	$ 24	$ 7	$ —	$ 3	$ 36
Professional services and other [(i)]	1	57	2	—	30	90
2016						
Termination benefits	$ 1	$ 18	$ 3	$ —	$ 1	$ 23
Professional services and other [(i)]	1	81	4	—	36	122
2017						
Termination benefits	$ —	$ 25	$ 4	$ —	$ 19	$ 48
Professional services and other [(i)]	3	63	6	—	14	86
Total						
Termination benefits	$ 3	$ 82	$ 15	$ —	$ 23	$ 123
Professional services and other [(i)]	5	204	12	—	97	318
Total	$ 8	$ 286	$ 27	$ —	$ 120	$ 441

(i) Other includes salary and benefits, premises, and other expenses incurred to support the ongoing management and facilitation of the programs.

Business Restructuring Program

In the second quarter of 2016, we began planning targeted staffing reductions in certain portions of the business due to a reduction in business demand or change in business focus (hereinafter referred to as the Business Restructure Program). The main element of the program included workforce reductions, and was completed in 2016.

Restructuring costs related to the Business Restructuring Program for the year ended December 31, 2016 by segment are as follows:

	HCB	CRB	IRR	BDA	Corporate	Total
	(in millions)					
2016						
Termination benefits	$ 32	$ 8	$ 3	$ 1	$ 1	$ 45
Professional services and other [(i)]	3	—	—	—	—	3
Total	$ 35	$ 8	$ 3	$ 1	$ 1	$ 48

(i) Other includes salary and benefits, premises, and other expenses incurred to support the ongoing management and facilitation of the programs.

Liquidity and Capital Resources

Executive Summary

Our principal sources of liquidity are funds generated by operating activities, available cash and cash equivalents and amounts available under our revolving credit facilities or new debt offerings.

Based on our balance sheet, combined cash flows, current market conditions and information available to us at this time, we believe that Willis Towers Watson has sufficient liquidity, which includes our undrawn revolving credit facilities, to meet our cash needs for the next twelve months, including investing in the business for growth, creating value through the integration of Willis, Towers Watson and Gras Savoye, scheduled debt repayments, dividend payments, and contemplated share repurchases, subject to market conditions and other factors.

The Company recognizes deferred tax balances related to the undistributed earnings of subsidiaries when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. Beginning in 2016, as a result of our plan to restructure or distribute accumulated earnings of certain acquired Towers Watson foreign operations, we accrued deferred taxes on the historical and current year earnings of those subsidiaries. The historical cumulative earnings of our other subsidiaries had been reinvested indefinitely and therefore we had not provided deferred tax liabilities on these amounts. As a result of U.S. Tax Reform we have analyzed our global working capital and cash requirements and the potential tax liabilities attributable to a repatriation. For those investments from which we were able to make a reasonable estimate of the tax effects of such repatriation, we have recorded a provisional estimate for foreign withholding and state income taxes. In addition, we re-measured the existing deferred tax liability accrued on certain acquired Towers Watson subsidiaries and released the deferred tax liability relating to the outside basis difference. If future events, including material changes in estimates of cash, working capital, long-term investment requirements or additional guidance relating to U.S. Tax Reform necessitate that these earnings be distributed, an additional provision for income and foreign withholding taxes, net of credits, may be necessary. Other potential sources of cash may be through the settlement of intercompany loans or return of capital distributions in a tax-efficient manner.

Events that could change the historical cash flow dynamics discussed above include significant changes in operating results, potential future acquisitions or divestitures, material changes in geographic sources of cash, unexpected adverse impacts from litigation or regulatory matters, or future pension funding during periods of severe downturn in the capital markets.

During the year ended December 31, 2017, we (i) entered into a $1.25 billion revolving credit facility to replace our previous $800 million revolving credit facility. Borrowings against the $1.25 billion facility of $409 million and €45 million were used to repay all outstanding borrowings against the $800 million facility and the 7-year term loan due July 23, 2018; (ii) repaid our 6.200% senior notes due 2017 totaling $407 million, including accrued interest; and (iii) completed an offering of $650 million of 3.600% Senior Notes due 2024. Net proceeds of $644 million were used to pay down amounts outstanding under our revolving credit facility and for general corporate purposes.

Cash and Cash Equivalents

Our cash and cash equivalents at December 31, 2017 totaled $1.0 billion, compared to $870 million at December 31, 2016. The increase in cash from December 31, 2016 to December 31, 2017 was primarily due to the strengthening of various currencies against the U.S. dollar, particularly the Pound sterling and Euro and less net debt payments made in the current year.

Additionally, at December 31, 2017, $362 million was available to draw against our $1.25 billion revolving credit facility as compared to $557 million, which was available to draw against our previous $800 million revolving credit facility at December 31, 2016.

Included within cash and cash equivalents at December 31, 2017 and December 31, 2016 are amounts held for regulatory capital adequacy requirements, including $90 million and $87 million, respectively, held within our regulated U.K. entities.

Summarized Consolidated Cash Flows

The following table presents the summarized consolidated cash flow information for the years ended:

	Years ended December 31,		
	2017	2016	2015
		(in millions)	
Net cash from/(used in):			
Operating activities	$ 862	$ 933	$ 244
Investing activities	(335)	195	(943)
Financing activities	(479)	(775)	640
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	48	353	(59)
Effect of exchange rate changes on cash and cash equivalents	112	(15)	(44)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	870	532	635
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,030	$ 870	$ 532

Cash Flows From Operating Activities

Cash flows from operating activities were $862 million for 2017, compared to cash flows from operating activities of $933 million for 2016. The $862 million net cash from operating activities for 2017 included net income of $592 million, adjusted for $548 million of non-cash adjustments, partially offset by changes in operating assets and liabilities of $278 million. The $548 million non-cash adjustments primarily include depreciation, amortization, and the benefit from deferred income taxes. The $71 million decrease in cash from operations in 2017 compared to 2016 primarily resulted from changes in working capital and higher discretionary compensation payments made in 2017 for the 2016 compensation cycle. These discretionary compensation payments were lower in 2016 because they included only a partial payment to Legacy Towers Watson colleagues due to the timing of the Merger.

Cash flows from operating activities were $933 million for 2016, compared to cash flows of from operating activities of $244 million for 2015. The $933 million net cash from operating activities for 2016 included net income of $438 million, adjusted for $590 million of non-cash adjustments, partially offset by changes in operating assets and liabilities of $95 million. The $590 million of non-cash adjustments primarily include depreciation, amortization, net defined benefit pension credits, share-based compensation, and the benefit from deferred income taxes. The $689 million increase in cash from operations in 2016 compared to 2015 was primarily due to cash from operations from Legacy Towers Watson and Gras Savoye.

Cash flows from operating activities for 2015 was $244 million, which included net income of $384 million, adjusted for $38 million of non-cash adjustments to reconcile net income to cash used in operating activities, offset by changes in operating assets and liabilities of $178 million.

Cash Flows (Used In)/From Investing Activities

Cash flows used in investing activities for 2017 were $335 million, largely driven by $375 million of capital expenditures and capitalized software costs.

Cash flows from investing activities for 2016 were $195 million, largely driven by $476 million of cash acquired as a result of our Merger with Towers Watson, which was a non-cash transaction as it was consummated through the issuance of shares. Cash inflows were partially offset by $303 million of fixed assets and software for internal use and capitalized costs of developing software.

Cash flows used in investing activities of $943 million for the year ended December 31, 2015 were primarily driven by $857 million used in the acquisitions of operations and $146 million for capital expenditures.

Cash Flows (Used In)/From Financing Activities

Cash flows used in financing activities for 2017 were $479 million. The significant financing activities included the payment of $177 million related to the cancellation of Towers Watson shares in connection with the settlement of the Merger-related appraisal demand lawsuit (consisting of the portion of the settlement equal to the value of consideration that would have been due to the shareholders at the closing of the Merger if they had exchanged their shares; see Note 14 to the Consolidated Financial Statements for additional information), share repurchases of $532 million and dividend payments of $277 million, which were partially offset by net borrowings of $580 million.

Net cash used in financing activities in 2016 was $775 million. The primary drivers during the period were debt issuance of $2.0 billion, debt repayments of $1.9 billion, net payments on the revolving credit facility of $237 million, dividend payments of $199 million, and share repurchases of $396 million. The debt issuance of $2.0 billion was primarily the issuance of $450 million of senior notes due 2021, $550 million of senior notes due 2026, €540 million ($609 million) of senior notes due 2022 and a $400 million drawdown on the 1-year term loan facility. The debt repayments of $1.9 billion were primarily $300 million repayment of senior notes due 2016, $400 million repayment of Legacy Towers Watson debt and repayments of $592 million and $400 million on the 1-year term loan facility.

Net cash from financing activities in 2015 was $640 million, primarily due to $469 million net drawings on the revolving credit facility, a $592 million term loan draw down to fund the acquisition of Gras Savoye, and the issuance of shares of $131 million, partially offset by dividends paid of $277 million and repurchase of shares of $82 million.

Indebtedness

Total debt, total equity, and the capitalization ratio at December 31, 2017 and December 31, 2016 were as follows:

	December 31, 2017	December 31, 2016
	(in millions)	
Long-term debt	$ 4,450	$ 3,357
Short-term debt and current portion of long-term debt	85	508
Total debt	$ 4,535	$ 3,865
Total Willis Towers Watson shareholders' equity	$ 10,126	$ 10,065
Capitalization ratio	30.9%	27.7%

At December 31, 2017, our material mandatory debt repayments over the next twelve months consist of scheduled repayments of $85 million on our term loan maturing in 2019.

In March 2017, we entered into a $1.25 billion revolving credit facility replacing our previous $800 million revolving credit facility. Borrowings against the $1.25 billion facility of $409 million and €45 million were used to repay all outstanding borrowings against the $800 million facility and the 7-year term loan due July 23, 2018.

Additionally in March 2017, the Company repaid the 6.200% senior notes due 2017 totaling $407 million, including accrued interest.

In May 2017, we completed an offering of $650 million of 3.600% senior notes due 2024. Net proceeds of $644 million were used to pay down amounts outstanding under our revolving credit facility and for general corporate purposes.

At December 31, 2017 and December 31, 2016, we were in compliance with all financial covenants.

Fiduciary Funds

As an intermediary, we hold funds, generally in a fiduciary capacity, for the account of third parties, typically as the result of premiums received from clients that are in transit to insurers and claims due to clients that are in transit from insurers. We report premiums, which are held on account of, or due from, clients as assets with a corresponding liability due to the insurers. Claims held by, or due to, us which are due to clients are also shown as both Fiduciary assets and Fiduciary liabilities on our balance sheet.

Fiduciary funds are generally required to be kept in regulated bank accounts subject to guidelines which emphasize capital preservation and liquidity; such funds are not available to service the Company's debt or for other corporate purposes. Notwithstanding the legal relationships with clients and insurers, the Company is entitled to retain investment income earned on fiduciary funds in accordance with industry custom and practice and, in some cases, as supported by agreements with insureds.

At December 31, 2017 and 2016, we had fiduciary funds of $3.3 billion and $2.5 billion, respectively.

Share Repurchase Program

The Company is authorized to repurchase shares, by way of redemption, and will consider whether to do so from time to time, based on many factors, including market conditions.

On April 20, 2016, the Willis Towers Watson board reconfirmed, reapproved and reauthorized the remaining portion of the Legacy Willis program to repurchase the Company's ordinary shares on the open market or by way of redemption or otherwise.

On November 10, 2016, the Company announced the board of directors approved an increase to the existing share repurchase program of $1 billion. The $1 billion increase was in addition to the remaining authority on the Legacy Willis program discussed in the preceding paragraph. At December 31, 2017, approximately $601 million remained on the current repurchase authority. The maximum number of shares that could be repurchased based on the closing price of our ordinary shares on December 31, 2017 of $150.69 was 3,986,473.

On February 23, 2018, the board of directors approved an increase to the existing share repurchase program of $400 million. The $400 million increase is in addition to the remaining authority of $601 million as of December 31, 2017.

There are no expiration dates for these repurchase plans or programs. The following table presents specified information about the Company's repurchases of ordinary shares for the year ended December 31, 2017:

	Year Ended December 31, 2017
Shares repurchased	3,797,491
Average price per share	$140.19
Aggregate repurchase cost (excluding broker costs)	$532 million

In addition to the shares reported in the table above, the Company canceled 1,415,199 Towers Watson common shares at issue in the settlement of the Merger-related appraisal demand lawsuit (see Note 14 to the Consolidated Financial Statements for additional information) and an equivalent number of ordinary shares represented in the Company's issued and outstanding share count up until the settlement date. As a result, the litigation settlement and related share cancellation had a similar impact to a share repurchase in that it reduced the number of outstanding shares of the Company. However, it did not impact the remaining authority under the share repurchase program.

An analysis of movements on shares held by the Company is as follows:

	Year Ended December 31, 2017					
	Ordinary shares, $0.000304635 nominal value			Ordinary shares, €1 nominal value		
	Number of shares	Percentage of the share class	Nominal value (thousands)	Number of shares	Percentage of the share class	Nominal value (thousands)
Balance at January 1, 2017 (i)	795,816	0.58%	$—	40,000	100%	$—
Shares repurchased	3,797,491		1	—		—
Shares canceled	(4,575,788)		(1)	—		—
Balance at December 31, 2017 (i)	17,519	0.01%	$—	40,000	100%	$—

(i) The proportion of ordinary shares of $0.000304635 held by the Company was under 1 percent of called up ordinary shares of $0.000304635 at both January 1, 2017 and December 31, 2017. The Company held all the called up ordinary shares of €1 at both January 1, 2017 and December 31, 2017.

Capital Commitments

The Company has no material commitments for capital expenditures. Our capital expenditures for fixed assets and software for internal use were $300 million for the year ended December 31, 2017. Expected capital expenditures for fixed assets and software for internal use are approximately $285 million for the year ended December 31, 2018. We expect cash from operations to adequately provide for these cash needs.

Dividends

Total cash dividends of $277 million were paid during the year ended December 31, 2017. In February 2018, the board of directors approved a quarterly cash dividend of $0.60 per share ($2.40 per share annualized rate), which will be paid on or about April 16, 2018 to shareholders of record as of March 31, 2018.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Transactions

Apart from commitments, guarantees and contingencies, as disclosed herein and Note 14 to the Consolidated Financial Statements and incorporated herein by reference, as of December 31, 2017, the Company had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, results of operations or liquidity.

Contractual Obligations

The Company's material contractual obligations as of December 31, 2017 are as follows:

	Payments due by				
	Total	2018	2019-2020	2021-2022	After 2022
			(in millions)		
Debt and related interest obligations					
Senior notes	$ 3,506	$ —	$ 187	$ 1,594	$ 1,725
Term loans	170	85	85	—	—
Revolving $1.25 billion credit facility	884	—	—	884	—
Interest on senior notes	1,078	147	278	189	464
Total debt and related interest obligations	5,638	232	550	2,667	2,189
Operating leases	1,403	204	356	258	585
U.K. pension contractual obligations	442	76	140	120	106
Acquisition liabilities	103	101	2	—	—
Other contractual obligations (i)	95	39	12	12	32
Total contractual obligations	$ 7,681	$ 652	$ 1,060	$ 3,057	$ 2,912

(i) Other contractual obligations include capital lease commitments, put option obligations and investment fund capital call obligations, the timing of which are included at the earliest point they may fall due.

Debt obligations and facilities — The Company's material debt and related interest obligations at December 31, 2017 are shown in the above table. Mandatory repayments of debt over the next 12 months include the scheduled repayment of the current portion of the Company's 2019 term loan. The Company also has the right, at its option, to prepay indebtedness under the credit facility without further penalty and to redeem the senior notes by paying a 'make-whole' premium as provided under the applicable debt instrument.

Operating Leases — We lease office space and furniture under operating lease agreements with terms typically ranging from three to twenty years. We have determined that there is not a large concentration of leases that will expire in any one financial year. Consequently, management anticipates that any increase in future rent expense on leases will be mainly market-driven. We also lease cars and selected computer equipment under operating lease agreements. For acquired operating leases, intangible assets or liabilities have been recognized for the difference between the contractual cash obligations and the estimated market rates at the time of acquisition. These intangibles are amortized to rent expense but do not affect our contractual cash obligations. See further discussion in Note 14 to the Consolidated Financial Statements.

Pension Contributions — The Company has agreed with Trustees of certain plans in the U.K. to contribute deficit funding and minimum ongoing accrual of benefits funding and presented those obligations in the table above. These obligations exclude employee contributions and any potential funding level contributions, which are dependent on future funding level assessments. There are no contractual obligations for our U.S. pension plans. Our total expected contributions to all qualified pension plans, including amounts presented above, for the year ending December 31, 2018 are projected to be $150 million. Additionally, the Company expects to pay $54 million in benefits directly to participants for the year ended 2018.

Tax Related Liabilities —

- *Uncertain Tax Positions* — The table above does not include liabilities for uncertain tax positions under ASC 740, *Income Taxes*. The settlement period for the $59 million liability, which excludes interest and penalties, cannot be reasonably estimated since it depends on the timing and possible outcomes of tax examinations with various tax authorities.

- *Transition Tax* — The table above excludes a $72 million provisional transition tax payable resulting from U.S. Tax Reform. The Company can and will elect to pay this one-time tax liability over an eight-year period without interest. The one-time transition tax cannot be reasonably estimated because the Company has a significant number of foreign subsidiaries and therefore has not yet completed its calculation of the total post-1986 E&P as well as non-U.S. income taxes paid for these foreign subsidiaries. The Company expects to revise its estimates throughout 2018 when actual results become available. Future guidance may be released which could also impact these estimates.

Guarantees, Acquisition Liabilities and Other Contractual Obligations — Information regarding guarantees and other contractual obligations and their impact on the financial statements is set forth in Note 14 to the Consolidated Financial Statements.

Claims, Lawsuits and Other Proceedings, including Stanford Financial Group Litigation — Information regarding claims, lawsuits and other proceedings, including the Stanford Financial Group litigation, and their impact on the consolidated financial statements is set forth in Note 14 to the Consolidated Financial Statements.

Non-GAAP Financial Measures

In order to assist readers of our consolidated financial statements in understanding the core operating results that Willis Towers Watson's management uses to evaluate the business and for financial planning purposes, we present the following non-GAAP measures and their most directly comparable U.S. GAAP measure:

Most Directly Comparable U.S. GAAP Measure	Non-GAAP Measure
Total revenues	Adjusted revenues
As reported change	Constant currency change
As reported change	Organic change
Income from operations	Adjusted operating income
Net income	Adjusted EBITDA
Net income attributable to Willis Towers Watson	Adjusted net income
Diluted earnings per share	Adjusted diluted earnings per share
Income from operations before income taxes and interest in earnings of associates	Adjusted income before taxes
Provision for income taxes/U.S. GAAP tax rate	Adjusted income taxes/tax rate
Net cash from operating activities	Free cash flow

The Company believes that these measures are relevant and provide useful information widely used by analysts, investors and other interested parties in our industry to provide a baseline for evaluating and comparing our operating performance, and in the case of free cash flow, our liquidity results.

Within the measures referred to as "adjusted", we have adjusted for significant items which will not be settled in cash, or which we believe to be items that are not core to our current or future operations. These items include the following:

- Restructuring costs and transaction and integration expenses - Management believes it is appropriate to adjust for restructuring costs and transaction and integration expenses when they relate to a specific significant program with a defined set of activities and costs that are not expected to continue beyond a defined period of time, or one-time Merger-related transaction expenses. We believe the adjustment is necessary to present how the Company is performing, both now and in the future when these programs will have concluded.

- Pension settlement and curtailment gains and losses - Adjustment to remove significant pension settlement and curtailment gains and losses to better present how the Company is performing.

- Fair value adjustment to deferred revenue - Adjustment in 2016 to normalize for the deferred revenue written down as part of the purchase accounting for the Merger.

- Gains and losses on disposals of operations - Adjustment to remove the gain or loss resulting from disposed operations.

- Provision for Stanford and other significant litigation - The 2016 provision for the Stanford litigation matter, which we consider to be a non-ordinary course litigation matter. We will also include other litigation matters which we believe are not representative of our core business operations.

- Venezuelan currency devaluation - Foreign exchange losses incurred as a consequence of the Venezuelan government's enforced changes to exchange rate mechanisms.

- Tax effects of internal reorganizations - Relates to the U.S. income tax expense resulting from the completion of internal reorganizations of the ownership of certain businesses that reduced the investments held by our U.S.-controlled subsidiaries.

- Tax effect of U.S.Tax Reform - Relates to the (1) U.S. income tax adjustment of deferred taxes upon the change in the federal corporate tax rate, (2) the impact of the one-time transition tax on accumulated foreign earnings net of foreign tax credits, and (3) the re-measurement of our net deferred tax liabilities associated with the U.S. tax on certain foreign earnings offset with a write-off of deferred tax assets that will no longer be realizable under U.S. Tax Reform.

- Deferred tax valuation allowance - Adjustment to remove the effects of a release of the valuation allowance against certain U.S. deferred tax assets.

- Gain on re-measurement of equity interests - The Company recognized a gain as a result of re-measuring its prior equity interest in Gras Savoye held before the business combination in 2015.

These non-GAAP measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-GAAP measures should be considered in addition to, and not as a substitute for, the information contained within our consolidated financial statements.

The pro forma financial information for 2015 is only for Willis and Towers Watson and does not include Gras Savoye or other M&A activity on a pro forma basis.

Adjusted Revenues

We consider adjusted revenues to be an important financial measure, which is used to internally evaluate and assess our core operations and to benchmark our operating results against our competitors.

Adjusted revenues is defined as total revenues adjusted for the fair value adjustment for deferred revenues that would otherwise have been recognized but for the purchase accounting treatment of these transactions. U.S. GAAP accounting requires the elimination of this revenue.

We have included the reconciliation of total revenues to adjusted revenues in the table below, together with our reconciliation of the pro forma revenues change to the constant currency and organic changes.

Constant Currency Change and Organic Change

We evaluate our revenues on an as reported (U.S. GAAP), constant currency and organic basis. We believe providing constant currency and organic information provides valuable supplemental information regarding our comparable results, consistent with how we evaluate our performance internally.

- *Constant Currency Change* - Represents the year over year change in revenues excluding the impact of foreign currency fluctuations. To calculate this impact, the prior year local currency results are first translated using the current year monthly average exchange rates. The change is calculated by comparing the prior year revenues, translated at the current year monthly average exchange rates, to the current year as reported revenues, for the same period. We believe constant currency measures provide useful information to investors because they provide transparency to performance by excluding the effect that foreign currency exchange rate fluctuations have on period-over-period comparability given volatility in foreign currency exchange markets.

- *Organic Change* - Excludes both the impact of fluctuations in foreign currency exchange rates, as described above, as well as the period-over-period impact of acquisitions and divestitures. We believe that excluding transaction-related items from our U.S. GAAP financial measures provides useful supplemental information to our investors, and it is important in illustrating what our core operating results would have been had we not incurred these transaction-related items, since the nature, size and number of these transaction-related items can vary from period to period.

The constant currency and organic change results, and a reconciliation from the reported results for consolidated revenues, are included in the Consolidated Revenues section above. These measures are also reported by segment in the 'As Reported Segment Revenues' and 'Supplementary Pro Forma Segment Revenues' sections above.

A reconciliation of total revenues to adjusted revenues for the years ended December 31, 2017 and 2016, and a reconciliation of the reported change to the constant currency and organic changes for the year ended December 31, 2017 from the prior year is as follows:

	Years Ended December 31,			Components of Revenue Change[i]			
	2017	2016	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Total revenues	$ 8,202	$ 7,887	4%	—%	4%	—%	5%
Fair value adjustment for deferred revenue	—	58					
Adjusted revenues	$ 8,202	$ 7,945	3%	—%	4%	—%	4%

(i) Components of revenue change may not add due to rounding.

A reconciliation of total revenues to adjusted revenues for the year ended December 31, 2016 and pro forma 2015, and a reconciliation of the pro forma change to the constant currency and organic changes for the year ended December 31, 2016 from the prior year is as follows:

	Year Ended December 31,			Components of Change			
	2016	Pro Forma 2015	Pro Forma Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	(in millions)						
Total revenues	$ 7,887	$ 7,492	5%	(3)%	8%	7%	1%
Fair value adjustment for deferred revenue	58	—					
Adjusted revenues	$ 7,945	$ 7,492	6%	(3)%	9%	7%	2%

Adjusted Operating Income

We consider adjusted operating income to be an important financial measure, which is used to internally evaluate and assess our core operations and to benchmark our operating results against our competitors.

Adjusted operating income is defined as income from operations adjusted for amortization, restructuring costs, transaction and integration expenses, significant litigation settlements, significant pension settlement and curtailment activity, the fair value adjustment for deferred revenue and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results.

A reconciliation of income from operations to adjusted operating income for the years ended December 31, 2017 and 2016 is as follows:

	Years Ended December 31,	
	2017	2016
	(in millions)	
Income from operations	$ 738	$ 601
Adjusted for certain items:		
Amortization	581	591
Restructuring costs	132	193
Transaction and integration expenses	269	177
Provision for Stanford and other significant litigation	11	—
Fair value adjustment for deferred revenue	—	58
Pension settlement and curtailment gains and losses	36	—
Adjusted operating income	$ 1,767	$ 1,620

Adjusted operating income for the year ended December 31, 2017 increased to $1.8 billion, from $1.6 billion for the year ended December 31, 2016, an increase of $147 million, or 9%. Income from operations increased by $187 million, largely due to revenue growth across all segments partially offset by higher salary and benefits costs. The prior year also included settlement income of £28 million ($41 million) related to the Fine Arts, Jewellery and Specie team.

A reconciliation of income from operations to adjusted operating income for the year ended December 31, 2016 and pro forma year ended December 31, 2015 is as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015		
	Willis Towers Watson	Legacy Willis	Pro Forma Towers Watson (i)	Pro Forma Willis Towers Watson
	(in millions)			
Income from operations	$ 601	$ 377	338	$ 715
Adjusted for certain items:				
Amortization	591	76	459	535
Restructuring costs	193	126	—	126
Transaction and integration expenses	177	73	(58)	15
Provision for Stanford and other significant litigation	—	120	—	120
Fair value adjustment for deferred revenue	58	—	—	—
Adjusted operating income	$ 1,620	$ 772	$ 739	$ 1,511

(i) Includes pro forma adjustments made in the Supplementary Pro Forma Financial Information section above.

Adjusted operating income for the year ended December 31, 2016 was $1.6 billion, compared to pro forma $1.5 billion for the year ended December 31, 2015, an increase of $109 million. The increase in adjusted operating income for the year ended December 31, 2016 was primarily driven by our acquisition of Gras Savoye, the settlement with JLT of £28 million ($41 million) related to the Fine Art, Jewellery and Specie team, and the performance of our Benefits Delivery and Administration segment.

Adjusted EBITDA

We consider adjusted EBITDA to be an important financial measure, which is used to internally evaluate and assess our core operations, to benchmark our operating results against our competitors, and to evaluate and measure our performance-based compensation plans.

Adjusted EBITDA is defined as net income/(loss) adjusted for provision for/(benefit from) income taxes, interest expense, depreciation and amortization, restructuring costs, transaction and integration expenses, significant litigation settlements, significant pension settlement and curtailment activity, the fair value adjustment for deferred revenue, loss/(gain) on disposal of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results.

A reconciliation of net income to adjusted EBITDA for the years ended December 31, 2017 and 2016 is as follows:

	Years Ended December 31, 2017	Years Ended December 31, 2016
	(in millions)	
NET INCOME	$ 592	$ 468
Benefit from income taxes	(100)	(76)
Interest expense	188	184
Depreciation	203	178
Amortization	581	591
Restructuring costs	132	193
Transaction and integration expenses	269	177
Provision for Stanford and other significant litigation	11	—
Fair value adjustment for deferred revenue	—	58
Pension settlement and curtailment gains and losses	36	—
Gain on disposal of operations	(13)	(2)
Venezuela currency devaluation	2	—
Adjusted EBITDA	$ 1,901	$ 1,771

Adjusted EBITDA for the year ended December 31, 2017 was $1.9 billion, compared to $1.8 billion for the year ended December 31, 2016, an increase of $130 million, or 7%. The increase in Adjusted EBITDA for the year ended December 31, 2017 was largely due to revenue growth across all segments partially offset by higher salary and benefits costs. The prior year also included settlement income of £28 million ($41 million) related to the Fine Arts, Jewellery and Specie team.

A reconciliation of net income to adjusted EBITDA for the year ended December 31, 2016 and pro forma year ended December 31, 2015 is as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015		
	Willis Towers Watson	Legacy Willis	Pro Forma Towers Watson (i)	Pro Forma Willis Towers Watson
	(in millions)			
NET INCOME	$ 468	$ 354	$ 268	$ 622
(Benefit from)/provision for income taxes	(76)	(53)	103	50
Interest expense	184	142	22	164
Depreciation	178	95	64	159
Amortization	591	76	459	535
Restructuring costs	193	126	—	126
Transaction and integration expenses	177	73	(58)	15
Provision for Stanford and other significant litigation	—	120	—	120
Fair value adjustment for deferred revenue	58	—	—	—
Gain on disposal of operations	(2)	(25)	(55)	(80)
Venezuela currency devaluation	—	30	—	30
Gain on re-measurement of equity interests	—	(59)	—	(59)
Adjusted EBITDA	$ 1,771	$ 879	$ 803	$ 1,682

(i) Includes pro forma adjustments made in the Supplementary Pro Forma Financial Information section above.

Adjusted EBITDA for the year ended December 31, 2016 was $1.8 billion, compared to pro forma $1.7 billion for the year ended December 31, 2015, an increase of $89 million. The increase in Adjusted EBITDA for the year ended December 31, 2016 was primarily driven by our acquisition of Gras Savoye, the settlement with JLT of £28 million ($41 million) related to the Fine Art, Jewellery and Specie team, and the performance of our Benefits Delivery and Administration segment.

Adjusted Net Income and Adjusted Diluted Earnings Per Share

Adjusted net income is defined as net income attributable to Willis Towers Watson adjusted for amortization, restructuring costs, transaction and integration expenses, significant litigation settlements, significant pension settlement and curtailment activity, the fair value adjustment of deferred revenue, loss/(gain) on disposal of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results and the related tax effect of those adjustments, the tax effects of internal reorganizations and U.S. Tax Reform. This measure is used solely for the purpose of calculating adjusted diluted earnings per share.

Adjusted diluted earnings per share is defined as adjusted net income divided by the weighted average number of shares of common stock, diluted. Adjusted diluted earnings per share is used to internally evaluate and assess our core operations and to benchmark our operating results against our competitors.

A reconciliation of net income attributable to Willis Towers Watson to adjusted diluted earnings per share for the years ended December 31, 2017 and 2016 is as follows:

	Years Ended December 31,	
	2017	2016
	($ in millions)	
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	$ 568	$ 450
Adjusted for certain items:		
Amortization	581	591
Restructuring costs	132	193
Transaction and integration expenses	269	177
Provision for Stanford and other significant litigation	11	—
Fair value adjustment for deferred revenue	—	58
Pension settlement and curtailment gains and losses	36	—
Gain on disposal of operations	(13)	(2)
Venezuela currency devaluation	2	—
Tax effect on certain items listed above (i)	(275)	(300)
Tax effects of internal reorganizations	48	—
Tax effect of U.S. Tax Reform	(204)	—
Deferred tax valuation allowance	—	(69)
Adjusted net income	$ 1,155	$ 1,098
Weighted average shares of common stock — diluted (millions of shares)	136	138
Diluted earnings per share, as reported from operations	$ 4.18	$ 3.26
Adjusted for certain items:		
Amortization	4.28	4.28
Restructuring costs	0.97	1.40
Transaction and integration expenses	1.98	1.28
Provision for Stanford and other significant litigation	0.08	—
Fair value adjustment for deferred revenue	—	0.42
Pension settlement and curtailment gains and losses	0.27	—
Gain on disposal of operations	(0.09)	(0.01)
Venezuela currency devaluation	0.01	—
Tax effect on certain items listed above (i)	(2.02)	(2.17)
Tax effects of internal reorganizations	0.35	—
Tax effect of U.S. Tax Reform	(1.50)	—
Deferred tax valuation allowance	—	(0.50)
Adjusted diluted earnings per share	$ 8.51	$ 7.96

(i) The tax effect was calculated using an effective tax rate for each item.

Our adjusted diluted earnings per share increased for the year ended December 31, 2017 as compared to the prior year primarily due to revenue growth across all segments partially offset by higher salary and benefits costs. The prior year also included settlement income of £28 million ($41 million) related to the Fine Arts, Jewellery and Specie team.

A reconciliation of net income attributable to Willis Towers Watson to adjusted diluted earnings per share for the years ended December 31, 2016 and 2015 is as follows:

	Years Ended December 31,	
	2016	2015 [ii]
	Willis Towers Watson	Legacy Willis
	(in millions, except per share amounts)	
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	$ 450	$ 343
Adjusted for certain items:		
Amortization	591	76
Restructuring costs	193	126
Transaction and integration expenses	177	73
Provision for Stanford and other significant litigation	—	120
Fair value adjustment for deferred revenue	58	—
Gain on disposal of operations	(2)	(25)
Venezuela currency devaluation	—	30
Gain on re-measurement of equity interests	—	(59)
Tax effect on certain items listed above [i]	(300)	(103)
Deferred tax valuation allowance	(69)	(96)
Adjusted net income	$ 1,098	$ 485
Weighted average shares of common stock — diluted (millions of shares)	138	69
Diluted earnings per share, as reported from operations	$ 3.26	$ 4.97
Adjusted for certain acquisition related items:		
Amortization	4.28	1.10
Restructuring costs	1.40	1.83
Transaction and integration expenses	1.28	1.06
Provision for Stanford and other significant litigation	—	1.74
Fair value adjustment for deferred revenue	0.42	—
Gain on disposal of operations	(0.01)	(0.36)
Venezuela currency devaluation	—	0.43
Gain on re-measurement of equity interests	—	(0.86)
Tax effect on certain items listed above [i]	(2.17)	(1.49)
Deferred tax valuation allowance	(0.50)	(1.39)
Adjusted diluted earnings per share	$ 7.96	$ 7.03

(i) The tax effect was calculated using the statutory tax rate applicable to the item being adjusted for in the jurisdiction from which each adjustment arises.

(ii) We have not presented this measure on a comparative pro forma basis because it is not practical to present the 2015 adjusted income tax effects on a pro forma basis, as making tax-effected non-GAAP adjustments on a proforma basis would be highly speculative in nature.

Adjusted Income Before Taxes and Adjusted Income Taxes/Tax Rate

Adjusted income before taxes is defined as income from operations before income taxes and interest in earnings of associates adjusted for amortization, restructuring costs, transaction and integration expenses, significant litigation settlements, significant pension settlement and curtailment activity, the fair value adjustment of deferred revenue, (gain)/loss on disposal of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results. Adjusted income before taxes is used solely for the purpose of calculating the adjusted income tax rate.

Adjusted income taxes/tax rate is defined as the provision for/(benefit from) income taxes adjusted for taxes on certain items of amortization, restructuring costs, transaction and integration expenses, significant litigation settlements, significant pension settlement and curtailment activity, the fair value adjustment for deferred revenue, loss/(gain) on disposal of operations, tax effects of internal reorganizations and U.S. Tax Reform, and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results, divided by adjusted income before taxes. Adjusted income taxes is used solely for the purpose of calculating the adjusted income tax rate.

Management believes the adjusted income tax rate presents a rate that is more closely aligned to the rate we would incur if not for the reduction of pre-tax income for the adjusted items, the tax effects of our internal reorganizations and the tax effect of U.S. Tax Reform, which are not core to our current and future operations.

Reconciliations of income from operations before income taxes and interest in earnings of associates to adjusted income before taxes and provision for/(benefit from) income taxes to adjusted income taxes for the years ended December 31, 2017 and 2016 are as follows:

	Years Ended December 31,	
	2017	2016 [ii]
	($ in millions)	
INCOME FROM OPERATIONS BEFORE INCOME TAXES AND INTEREST IN EARNINGS OF ASSOCIATES	$ 489	$ 390
Adjusted for certain items:		
Amortization	581	591
Restructuring costs	132	193
Transaction and integration expenses	269	177
Provision for Stanford and other significant litigation	11	—
Fair value adjustment for deferred revenue	—	58
Pension settlement and curtailment gains and losses	36	—
Gain on disposal of operations	(13)	(2)
Venezuela currency devaluation	2	—
Adjusted income before taxes	$ 1,507	$ 1,407
Benefit from income taxes	$ (100)	$ (76)
Tax effect on certain items listed above[i]	275	300
Tax effects of internal reorganizations	(48)	—
Tax effect of U.S. Tax Reform	204	—
Deferred tax valuation allowance	—	69
Adjusted income taxes	$ 331	$ 293
U.S. GAAP tax rate	(20.5)%	(19.4)%
Adjusted income tax rate	21.9 %	20.8 %

(i) The tax effect was calculated using an effective tax rate for each item.
(ii) We have not presented this measure on a comparative basis with 2015 because it is not practical to present the 2015 adjusted income tax rate on a pro forma basis, as making tax-effected non-GAAP adjustments on a proforma basis would be highly speculative in nature.

Our adjusted income tax rates were 21.9% and 20.8% for the years ended December 31, 2017 and 2016, respectively. The lower adjusted tax rate for the year ended December 31, 2016 was primarily due to a prior year tax benefit resulting from an enacted statutory tax rate reduction in the U.K.

Free Cash Flow

Free cash flow is defined as cash flows from operating activities less cash used to purchase fixed assets and software for internal use and is used to evaluate our liquidity.

Reconciliations of cash flows from operating activities to free cash flow for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Years ended December 31,		
	2017	2016(i)	2015(i)
		(in millions)	
Cash flows from operating activities	$ 862	$ 933	$ 244
Less: Additions to fixed assets and software for internal use	(300)	(218)	(146)
Free Cash Flow	$ 562	$ 715	$ 98

(i) As a result of the adoption of ASU 2016-09, cash flows from operating activities for the years ended December 31, 2016 and 2015 increased by $13 million and $1 million, respectively, increasing free cash flow by the same amount. See Note 2 to the Consolidated Financial Statements for a further discussion of this change.

The decrease in free cash flows in 2017 as compared to 2016 primarily resulted from higher capital expenditures and higher discretionary compensation payments made in 2017 for the 2016 compensation cycle. These discretionary compensation payments were lower in 2016 because they included only a partial payment to Legacy Towers Watson colleagues due to the timing of the Merger.

Principal Risks and Uncertainties

In addition to the factors discussed elsewhere in this report, the following are some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements. These risk factors should be carefully considered in evaluating our business. The descriptions below are not the only risks and uncertainties that we face. Additional risks and uncertainties that are presently unknown to us could also impair our business operations, financial condition or results. If any of the risks and uncertainties below or other risks were to occur, our business operations, financial condition or results of operations could be materially and adversely impacted. **With respect to the tax-related consequences of acquisition, ownership and disposal of ordinary shares, you should consult with your own tax advisors.**

Strategic and Operational Risks

Our success largely depends on our ability to achieve our global business strategy, and our results of operations and financial condition could suffer if the Company were unable to successfully establish and execute on its strategy and generate anticipated revenue growth and cost savings and efficiencies.

Our future growth, profitability and cash flows largely depend upon our ability to successfully establish and execute our global business strategy. As discussed above under "Review of Developments and Business Performance - Business Strategy", we seek to be an advisory, broking and solutions provider of choice through an integrated global platform. While we have confidence that our strategic plan reflects opportunities that are appropriate and achievable, there is a possibility that our strategy may not deliver projected long-term growth in revenue and profitability due to inadequate execution, incorrect assumptions, global or local economic conditions, competition, changes in the industries in which we operate, sub-optimal resource allocation or any of the other risks described in this "Risk Factors" section. In pursuit of our growth strategy, we may also invest significant time and resources into new product or service offerings, and there is the possibility that these offerings may fail to yield sufficient return to cover their investment. The failure to continually develop and execute optimally on our global business strategy could have a material adverse effect on our business, financial condition and results of operations.

Demand for our services could decrease for various reasons, including a general economic downturn, increased competition, or a decline in a client's or an industry's financial condition or prospects, all of which could materially adversely affect us.

We can give no assurance that the demand for our services will grow or be maintained, or that we will compete successfully with our existing competitors, new competitors or our clients' internal capabilities. Client demand for our services may change based on the clients' needs and financial conditions, among other factors.

Our results of operations are affected directly by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets that they serve. Global financial markets may continue to experience disruptions, including increased volatility and credit availability, which could substantially impact our results. While it is difficult to predict the consequences of any deterioration in global economic conditions on our business, any significant reduction or delay by our clients in purchasing our services or insurance or making payment of premiums could have a material adverse impact on our financial condition and results of operations. In addition, the potential for a significant insurer to fail, be downgraded or withdraw from writing certain lines of insurance coverages that we offer our clients could negatively impact overall capacity in the industry, which could then reduce the placement of certain lines and types of insurance and reduce our revenues and profitability. The potential for an insurer to fail or be downgraded could also result in errors and omissions claims by clients.

In addition, the markets for our principal services are highly competitive. Our competitors include other insurance brokerage, human capital and risk management consulting and actuarial firms, and the human capital and risk management divisions of diversified professional services, insurance, brokerage and accounting firms and specialty, regional and local firms.

Competition for business is intense in all of our business lines and in every insurance market, and some competitors have greater market share in certain lines of business than we do. Some of our competitors have greater financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. New competitors or alliances among competitors could emerge, creating additional competition and gaining significant market share, resulting in a loss of business for us and a corresponding decline in revenues and profit margin. In order to respond to increased competition and pricing pressure, we may have to lower our prices, which would also have an adverse effect on our revenues and profit margin.

In addition, competitors could develop competing technologies or product or service offerings that disrupt our industries. Any new technology or product or service offering (including insurance companies selling their products directly to consumers or other insureds) that reduces or eliminates the need for intermediaries in insurance or reinsurance sales transactions could have a material adverse effect on our business and results of operations. Further, the increasing willingness of clients to either self-insure or maintain a captive insurance company, and the development of capital markets-based solutions and other alternative capital sources for traditional insurance and reinsurance needs, could also materially adversely affect us and our results of operations.

An example of a business that may be significantly impacted by changes in customer demand is our retirement consulting and actuarial business, which comprises a substantial portion of our revenue and profit. We provide clients with actuarial and consulting services relating to both defined benefit and defined contribution pension plans. Defined benefit pension plans generally require more actuarial services than defined contribution plans because defined benefit plans typically involve large asset pools, complex calculations to determine employer costs, funding requirements and sophisticated analysis to match liabilities and assets over long periods of time. If organizations shift to defined contribution plans more rapidly than we anticipate, or if we are unable to otherwise compensate for the decline in our business that results from employers moving away from defined benefit plans, our business, financial condition and results of operations could be materially adversely affected.

In addition, the demand for many of our core benefit services, including compliance-related services, is affected by government regulation and taxation of employee benefit plans. Significant changes in tax or social welfare policy or other regulations could lead some employers to discontinue their employee benefit plans, including defined benefit pension plans, thereby reducing the demand for our services. A simplification of regulations or tax policy also could reduce the need for our services.

We could be subject to claims and lawsuits arising from our work, which could materially adversely affect our reputation, business and financial condition.

We depend in large part on our relationships with clients and our reputation for high-quality services to secure future engagements. Clients that become dissatisfied with our services may terminate their business relationships with us, and clients and third parties that claim they suffered damages caused by our services may bring lawsuits against us. We are subject to various actual and potential claims, lawsuits, investigations and other proceedings relating principally to alleged errors and omissions in connection with the provision of our services or the placement of insurance and reinsurance in the ordinary course of business. We are also subject to actual and potential claims, lawsuits, investigations and proceedings outside of errors and omissions claims. See Note 14 to the Consolidated Financial Statements for examples of claims to which we are subject.

Because we often assist our clients with matters involving substantial amounts of money, including actuarial services, asset management and the placement of insurance coverage and the handling of related claims, errors and omissions claims against us may arise that allege our potential liability for all or part of the substantial amounts in question. The nature of our work, particularly our actuarial services, necessarily involves the use of assumptions and the preparation of estimates relating to future and contingent events, the actual outcome of which we cannot know in advance. Our actuarial and brokerage services also rely on substantial amounts of data provided by clients, the accuracy and quality of which we cannot ensure. In addition, we could make computational, software programming or data management errors in connection with the services we provide to clients.

Clients may seek to hold us responsible for alleged errors or omissions relating to any of the brokerage advice and services we provide, including when claims they submit to their insurance carriers are disputed or denied. Given that many of our clients have very high insurance policy limits to cover their risks, alleged errors and omissions claims against us arising from disputed or denied claims are often significant. Moreover, in various circumstances, our brokerage, investment and certain other types of business may not limit the maximum liability to which we may be exposed for claims involving alleged errors or omissions; and as such, we do not have limited liability for the work we provide to the associated clients.

Further, given that we frequently work with large pension funds and insurance companies as well as other large clients, relatively small percentage errors or variances can create significant financial variances and result in significant claims for unintended or unfunded liabilities. The risks from such variances or errors could be aggravated in an environment of declining pension fund asset values and insurance company capital levels. In almost all cases, our exposure to liability with respect to a particular engagement is substantially greater than the revenue opportunity that the engagement generates for us.

Clients may seek to hold us responsible for the financial consequences of variances between assumptions and estimates and actual outcomes or for errors. For example, in the case of pension plan actuarial work, a client's claims might focus on the client's alleged reliance on actuarial assumptions that it believes were unreasonable and, based on such reliance, the client made benefit commitments that it may later claim are not affordable or funding decisions that result in plan underfunding if and when actual outcomes vary from actuarial assumptions.

We also continue to create new products and services and to grow the business of providing products and services to institutional investors, financial services companies and other clients. The risk of claims from these lines of business and related products and services may be greater than from our core products or services, and such claims may be for significant amounts.

We also provide advice on both asset allocation and selection of investment managers. Increasingly, for some clients, we are responsible for making decisions on both of these matters, or we may serve in a fiduciary capacity, either of which may increase liability exposure. In addition, the Company recently launched affiliated investment funds, with plans to launch additional funds over time. Given that our Investment business may recommend affiliated investment funds or affirmatively invest such clients' assets in such funds under delegated authority, this may increase our liability exposure. We may also be liable for actions of managers or other service providers to the funds. Further, for certain clients, we are responsible for some portions of cash and investment management, including rebalancing of investment portfolios and guidance to third parties on the structure of derivatives and securities transactions. Asset classes may experience poor absolute performance, and investment managers may underperform their benchmarks; in both cases the investment return shortfall can be significant. Clients experiencing this underperformance, including from our affiliated investment funds, may assert claims against us, and such claims may be for significant amounts. In addition, our failure to properly execute our role can cause monetary damage to our clients or such third parties for which we might be found liable, and such claims may be for significant amounts. Our ability to contractually limit our potential liability may be limited in certain jurisdictions or markets or in connection with claims involving breaches of fiduciary duties or other alleged errors or omissions.

The ultimate outcome of all of the above matters cannot be ascertained and liabilities in indeterminate amounts may be imposed on us. It is thus possible that future results of operations or cash flows for any particular quarterly or annual period could be materially adversely affected by an unfavorable resolution of these matters. In addition, these matters continue to divert management and personnel resources away from operating our business. Even if we do not experience significant monetary costs, there may be adverse publicity associated with these matters that could result in reputational harm to the industries we operate in or to us in particular that may adversely affect our business, client or employee relationships. In addition, defending against these claims can involve potentially significant costs, including legal defense costs.

As a highly-regulated company, we are subject from time to time to inquiries or investigations by governmental agencies or regulators that could have a material adverse effect on our business or results of operations.

We have also been and may continue to be subject to inquiries and investigations by federal, state or other governmental agencies regarding aspects of our clients' businesses or our own businesses, especially regulated businesses such as our insurance broker, securities broker-dealer and investment advisory services. Such inquiries or investigations may consume significant management time and result in regulatory sanctions, fines or other actions as well as significant legal fees, which could have a material adverse impact on our business, results of operations and liquidity.

Examples of these inquiries or investigations are set forth in more detail in Note 14 to the Consolidated Financial Statements. These include:

- The European Commission's civil investigation proceedings in respect of an alleged exchange of commercially sensitive information among competitors in aerospace insurance and reinsurance broking in the European Economic Area.

- The U.K. anti-trust regulator (the Competition and Markets Authority) market study in respect of competition in the investment consulting business in the U.K. (the 'CMA Investment Consultancy Market Investigation').

- The FCA's market study to assess whether competition is working in the wholesale insurance broking sector in the U.K. (the 'FCA Wholesale Market Study'). The FCA Wholesale Market Study is examining, among other things: the market power of individual brokerage firms and whether concentrated power is harming competition; conflicts of interest including in the areas of placement selection, use of facilities and in-house underwriting; and whether broker conduct might dampen competition.

All of these items reflect an increased focus by regulators (both in the U.K. and elsewhere) on various aspects of the operations and affairs of our regulated businesses. We are unable to predict the outcome of these inquiries or investigations. Any proposed changes that result from these investigations and inquiries, or any other investigations, inquiries or regulatory developments, or any potential fines or enforcement action, could materially adversely affect our business and our results of operations.

Allegations of conflicts of interest, including in connection with accepting market derived income ('MDI'), may have a material adverse effect on our business, financial condition, results of operation or reputation.

We could suffer significant financial or reputational harm if we fail to properly identify and manage potential conflicts of interest. Conflicts of interest exist or could exist any time the Company or any of its employees has or may have an interest in a transaction or engagement that is inconsistent with our clients' interests. This could occur, for example, when the Company is providing services to multiple parties in connection with a transaction. In addition, as we provide more solutions-based services, there is greater potential for conflicts with advisory services. Managing conflicts of interest is an important issue for the Company, but can be a challenge for a large and complex company such as ours. Due to the broad scope of our businesses and our client base, we regularly address potential conflicts of interest, including, without limitation, situations where our services to a particular client or our own investments or other interests conflict, or are perceived to conflict, with the interests of another client. If these are not carefully managed, this then could lead to failure or perceived failure to protect the client's interests, with attendant regulatory and reputational risks that could materially adversely affect us and our operations. There is no guarantee that all potential conflicts of interest will be identified, and undetected conflicts may result in damage to our professional reputation and result in legal liability which may have a material adverse effect on our business. Identifying conflicts of interest may also prove particularly difficult in the near-term while we continue to bring together and integrate Legacy Willis, Legacy Towers Watson and Gras Savoye. In addition, we may encounter more conflicts of interest than anticipated in connection with the Merger or the Gras Savoye acquisition and we may not be able to adequately address such conflicts of interest.

In addition, insurance intermediaries have traditionally been remunerated by base commissions paid by insurance carriers in respect of placements we make for clients, or by fees paid by clients. Intermediaries also obtain other revenue from insurance carriers. This revenue, when derived from carriers in their capacity as insurance markets (as opposed to as corporate clients of the intermediaries where they may be purchasing insurance or reinsurance or other non-market related services), is commonly known as market derived income or 'MDI'. MDI is another example of an area in which allegations of conflicts of interest may arise. MDI takes a variety of forms, including volume- or profit-based contingent commissions, facilities administration charges, business development agreements, and fees for providing certain data to carriers.

MDI creates various risks. Intermediaries in many markets have a duty to act in the best interests of their clients and payments from carriers can incentivize intermediaries to put carriers' or their own interests ahead of their clients. Accordingly, MDI may be subject to scrutiny by various regulators under conflict of interest, anti-trust, unfair competition, and anti-bribery laws and regulations. While accepting MDI is a lawful and acceptable business practice, and while we have established systems and controls to manage these risks, we cannot predict whether our position will result in regulatory or other scrutiny and our controls may not be effective.

In addition, the Company recently launched affiliated investment funds, with plans to launch additional funds over time. Given that our Investment business may recommend affiliated investment funds or affirmatively invest such clients' assets in such funds under delegated authority, there may be a perceived conflict of interest. While the Company has processes, procedures and controls in place intended to mitigate potential conflicts, such perception could cause regulatory inquiries, or could impact client demand and the business' financial performance, and our controls may not be effective. In addition, underperformance by our affiliated investment funds could lead to lawsuits by clients that were invested in such funds.

Separately, the CMA Investment Consultancy Market Investigation and the FCA Wholesale Market Study are also both expected to examine various potential conflicts of interest in the investment consultancy and the wholesale insurance brokerage industries, respectively. There can be no assurances as to the outcome of these market investigations and market studies, and the CMA or FCA may recommend or require significant changes in these industries or impose firm-specific remedies.

The failure or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions. Conflicts of interest may also arise in the future that could cause material harm to us.

Damage to our reputation, including due to failure of third-parties on whom we rely to perform services, could damage our businesses.

Maintaining a positive reputation is critical to our ability to attract and maintain relationships with clients and colleagues. Damage to our reputation could therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory action, failure to deliver minimum standards of service and quality, compliance failures, allegations of conflicts of interest and unethical behavior. Negative publicity, whether or not true, may also result in harm to our prospects. In addition, the failure to deliver satisfactory service and quality in one line of business could cause clients to terminate the services we provide to that client in many other lines of business. This risk has increased as the Company has become larger and more complex.

In addition, as part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our reputation as well as our business and results of operations.

We may fail to realize some or all of the anticipated benefits of the Merger or related actions or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating the businesses.

Since the Merger was consummated in January 2016, we have endeavored to integrate the legacy Towers Watson, legacy Willis and legacy Gras Savoye businesses. However, our ability to realize the anticipated benefits of the Merger and related actions occurring around the time of the Merger depends, to a large extent, on our ability to complete such integration. The combination of independent businesses is a complex, costly and time-consuming process requiring significant management attention. The remaining integration process could disrupt the businesses and, if implemented ineffectively, could restrict the realization of the full expected benefits. In addition, the overall integration may result in material unanticipated costs or other problems, expenses, liabilities, loss of client relationships or revenue, and diversion of management's attention. The failure to meet the challenges involved in completing the integration of the businesses and to realize the anticipated benefits of the transactions could cause an interruption of, or a loss of momentum in, our activities and could adversely affect our results of operations. Further, even if our operations are integrated successfully, the full benefits of the transactions, including the synergies, cost savings or sales or growth opportunities that are expected, may not be achieved within the anticipated time frame, or at all. All of these factors could cause dilution to our earnings per share, decrease or delay the expected benefits of the Merger or the related actions and negatively impact the price of our ordinary shares.

The loss of key colleagues could damage or result in the loss of client relationships and could result in such colleagues competing against us.

Our success depends on our ability to attract, retain and motivate qualified personnel, including key managers and colleagues. In addition, our success largely depends upon our colleagues' abilities to generate business and provide quality services. In particular, our colleagues' business relationships with our clients are a critical element of obtaining and maintaining client engagements. Labor markets have become more competitive globally as the economic outlook in many countries has improved, and we have experienced intense competition for certain types of colleagues. In the past, as a result of the Merger and otherwise, we have lost colleagues who manage substantial client relationships or possess substantial experience or expertise; if we lose additional colleagues such as those, it could result in such colleagues competing against us and could materially adversely affect our ability to secure and complete engagements, which would materially adversely affect our results of operations and prospects.

Our ability to successfully manage ongoing organizational changes could impact our business results.

We have recently undergone several significant business and organizational changes, including the Merger, the acquisitions of Gras Savoye and Miller Insurance Services, LLP, and our Business Restructuring Program and multi-year operational improvement program. There are also a number of other initiatives planned or ongoing to transform our processes and gain efficiencies. In connection with these changes, we are managing a number of large-scale and complex projects. While we have concluded that each of these large, complex projects is necessary or desirable to the execution of the Company's business strategy, we cannot guarantee that the collective effect of all of these projects will not adversely impact our business or results of operations. Effectively managing these organizational changes is critical to retaining talent, servicing clients and our business success overall. The failure to effectively manage such risks could adversely impact our resources or business or financial results.

Data security breaches or improper disclosure of confidential company or personal data could result in material financial loss, regulatory actions, reputational harm or legal liability.

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners, insurance carriers/markets and clients. Additionally, one of our significant responsibilities is to maintain the security and privacy of our clients' confidential and proprietary information and the personal data of their customers and/or employees. Our information systems, and those of our third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. Computer viruses, hackers and other external hazards, as well as improper or inadvertent staff behavior, could expose confidential company and personal data systems and information to security breaches.

Many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. Our third-party applications include enterprise cloud storage and cloud computing application services provided and maintained by third-party vendors. These third-party applications store confidential and proprietary data of both the Company and our clients. We have processes designed to require third-party IT outsourcing, offsite storage and other vendors to agree to maintain certain standards with respect to the storage, protection and transfer of confidential, personal and proprietary information. However, we remain at risk of a data breach due to the intentional or unintentional non-compliance by a vendor's employee or agent, the breakdown of a vendor's data protection processes, or a cyber-attack on a vendor's information systems. Further, the potential impact of a data breach of our third-party vendors' systems increases as we move more of our and our clients' data into our vendors' cloud storage, we engage in IT outsourcing or we consolidate the group of third-party vendors that provide cloud storage or other IT services for the Company.

We have experienced a number of data incidents, resulting from human error or malfeasance, as well as attempts at unauthorized access to our information technology networks and systems, or our information through fraud or other means of deceiving our colleagues, third-party service providers and vendors, none of which to our knowledge have been material to our business or our clients. Over time, the sophistication of the attacks against us has increased. We maintain policies, procedures and technological safeguards designed to protect the security and privacy of this information. However, we cannot entirely eliminate the risk of data security breaches, improper access to or disclosure of confidential company or personally identifiable information. Our technology may fail to adequately secure the private information we hold and protect it from theft, computer viruses, hackers or inadvertent loss.

If any person, including any of our colleagues, fails to comply with, disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, accident, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our colleagues or third parties, could result in significant additional expenses (including expenses relating to notification of data security breaches and costs of credit monitoring services), negative publicity, legal liability and damage to our reputation, as well as require substantial resources and effort of management, thereby diverting management's focus and resources from business operations. In addition, our failure to adhere to or successfully implement processes in response to changing customer expectations and legal or regulatory requirements in this area, including changing legal or regulatory requirements that may be developed or revised due to the U.K.'s exit from the E.U. ('Brexit'), could result in legal liability or impairment to our reputation or business.

The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are also constantly changing and evolving; continue to become more sophisticated and complex; and may be difficult to anticipate or detect. For example, the Cyber Division of the U.S. Federal Bureau of Investigation ('FBI') has noted that cyber criminals have targeted, and may increasingly target, assets held in Health Savings Accounts and Reimbursement Accounts to fraudulently acquire the assets held in those accounts. Assets held in Health Savings Accounts are expected to grow substantially over the next few years. Given the Company's move toward managing more of these assets ourselves as a Non-Bank Custodian in connection with our Benefits Delivery and Administration Businesses, our reputation could be harmed and our business and results of operations could be materially adversely affected if we are the target of such fraud and it goes undetected for any period of time.

We have implemented and regularly review and update processes and procedures to protect against fraud or unauthorized access to or use of secured data and to prevent data loss. The ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate, adapt, enhance and otherwise improve our respective systems and processes, and there is no guarantee that they will be adequate to safeguard against all fraud, data security breaches or misuses of data. Any future significant compromise or breach of our data security or fraud, whether external or internal, or misuse of client, colleague, supplier or company data, could result in additional significant costs, lost revenue opportunities, fines, lawsuits, and damage to our reputation.

We are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the European Union Directive on Data Protection (and the General Data Protection Regulation ('GDPR') once it supersedes the Directive on Data Protection in May 2018), regulations from other countries that prohibit the transmission of data outside of such country's borders and various U.S. federal and state laws governing the protection of health or other individually identifiable information. GDPR significantly increases our responsibilities when handling personal data, including, without limitation, requiring us to conduct privacy impact assessments, restricting the transmission of data and requiring public disclosure of significant data breaches. Laws and regulations in this area are evolving and generally becoming more stringent. For example, the New York State Department of Financial Services has issued cybersecurity regulations that outline a variety of required security measures for protection of data. Further, a U.K. exit from the E.U. will increase uncertainty regarding applicable laws and regulations pending more clarity on the terms of that exit. All of these evolving laws and regulations may restrict the manner in which we provide services to our clients, increase the risk of non-compliance and impose significant costs that are likely to increase over time, all of which could have a material adverse effect on our business and results of operations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with regard to particular areas of our operations.

A disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability, particularly if any of these problems occur during peak times.

Interruption to or loss of our information processing capabilities or failure to effectively maintain and upgrade our information processing hardware or systems could cause material financial loss, regulatory actions, reputational harm or legal liability.

Our business depends significantly on effective information systems. Our capacity to service our clients relies on effective storage, retrieval, processing and management of information. Our information systems also rely on the commitment of significant resources to maintain and enhance existing systems, develop and create new systems and products in order to keep pace with continuing changes in information processing technology or evolving industry and regulatory standards and to be at the forefront of a range of technology relevant to our business.

In addition, many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. Our third-party applications include enterprise cloud storage and cloud computing application services provided and maintained by third-party vendors. These third-party applications store confidential and proprietary data of both the Company and our clients. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruption that could adversely impact our business.

If the data we rely on to run our business were found to be inaccurate or unreliable or if we fail to maintain effective and efficient systems (including through a telecommunications failure, failure to replace or update redundant or obsolete computer hardware, applications or software systems, or the loss of skilled people with the knowledge needed to operate older systems, or if we experience other disruptions), this could result in material financial loss, regulatory action, reputational harm or legal liability.

In conducting our businesses around the world, we are subject to political, economic, legal, regulatory, cultural, market, operational and other risks that are inherent in operating in many countries.

In conducting our businesses and maintaining and supporting our global operations, we are subject to political, economic, legal, regulatory, market, operational and other risks. Our businesses and operations continue to expand into new regions throughout the world, including emerging markets. The possible effects of economic and financial disruptions throughout the world could have an adverse impact on our businesses and financial results. These risks include:

- the general economic and political conditions in foreign countries;
- the imposition of controls or limitations on the conversion of foreign currencies or remittance of dividends and other payments by foreign subsidiaries;
- the imposition of sanctions by both the U.S. and foreign governments;
- the imposition of withholding and other taxes on remittances and other payments from subsidiaries;
- the imposition or increase of investment and other restrictions by foreign governments;
- fluctuations in currency exchange rates or our tax rate;
- difficulties in controlling operations and monitoring employees in geographically dispersed and culturally diverse locations; and
- the practical challenge and costs of complying, or monitoring compliance, with a wide variety of foreign laws (some of which are evolving or are not as well-developed as the laws of the U.S. or U.K. or which may conflict with U.S. or other sources of law), and regulations applicable to insurance brokers and other business operations abroad (in more than 140 countries and territories including many countries in Africa), including laws, rules and regulations relating to the conduct of business, trade sanction laws administered by the U.S. Office of Foreign Assets Control, the E.U., the U.K. and the United Nations ('U.N.'), and the requirements of the U.S. Foreign Corrupt Practices Act as well as other anti-bribery and corruption rules and requirements in all of the countries in which we operate.

Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government laws or regulations, or if government laws or regulations decrease the need for our services or increase our costs.

A material portion of our revenues are affected by statutory or regulatory changes. An example of a statutory or regulatory change that could materially impact us is any change to Healthcare Reform in the U.S. The new administration and certain key members of Congress have expressed a desire to replace or amend all or a portion of the Patient Protection and Affordable Care Act ('PPACA'), and the Healthcare and Education Reconciliation Act of 2010, ('HCERA'), which we refer to collectively as 'Healthcare Reform'. While the U.S. Congress has not passed legislation replacing or significantly amending Healthcare Reform (other than changes to the individual mandate), such legislation, or another version of Healthcare Reform, could be implemented in the future. If we are unable to adapt our services to potential new laws and regulations with respect to Healthcare Reform or otherwise, our ability to provide effective services in these areas may be substantially impacted. In addition, more restrictive rules or interpretations of the Centers for Medicare and Medicaid Services marketing rules, or judicial decisions that restrict or otherwise change existing provisions of U.S. healthcare regulation, could have a material adverse impact on our Benefits Delivery and Administration business.

Many areas in which we provide services are the subject of government regulation, which is constantly evolving. For example, our activities in connection with insurance brokerage services are subject to regulation and supervision by national, state or other authorities. Insurance laws in the markets in which we operate are often complex and generally grant broad discretion to supervisory authorities in adopting regulations and supervising regulated activities. That supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokerage in the markets in which we currently operate is dependent upon our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these locations.

Changes in government and accounting regulations in the U.S. and the U.K., two of our principal geographic markets, affecting the value, use or delivery of benefits and human capital programs may materially adversely affect the demand for, or the profitability of, various of our services. In addition, we have significant operations throughout the world, which further subject us to applicable laws and regulations of countries outside the U.S. and the U.K. Changes in legislation or regulations and actions by regulators in particular countries, including changes in administration and enforcement policies, could require operational improvements or modifications, which may result in higher costs or hinder our ability to operate our business in those countries.

Our compliance systems and controls cannot guarantee that we comply with all applicable federal and state or foreign laws and regulations, and actions by regulatory authorities or changes in applicable laws and regulations in the jurisdictions in which we operate could have an adverse effect on our business.

Our activities are subject to extensive regulation under the laws of the U.S., the U.K., the E.U. and its member states, and the other jurisdictions around the world in which we operate. In addition, we own an interest in a number of associates where we do not exercise management control. Over the last few years, regulators across the world are increasingly seeking to regulate brokers who operate in their jurisdictions. The foreign and U.S. laws and regulations applicable to our operations are complex, continually evolving and may increase the costs of regulatory compliance, limit or restrict the products or services we sell or subject our business to the possibility of regulatory actions or proceedings. These laws and regulations include insurance and financial industry regulations, competition law regulations, economic and trade sanctions laws relating to countries in which certain subsidiaries do business or may do business ("Sanctioned Jurisdictions") such as Cuba, Iran, Russia, Sudan and Syria, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and similar local laws prohibiting corrupt payments to governmental officials and the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act in the U.S., as well as laws and regulations related to data privacy and cyber security. Because of changes in regulation and Company practice, our non-U.S. subsidiaries are providing more services with connections to various countries, including some Sanctioned Jurisdictions, that our U.S. subsidiaries are unable to perform.

In most jurisdictions, governmental and regulatory authorities have the ability to interpret and amend these laws and regulations and impose penalties for non-compliance, including sanctions, civil remedies, monetary fines, injunctions, revocation of licenses or approvals, suspension of individuals, limitations on business activities or redress to clients. While we believe that we have substantially increased our focus on the geographic breadth of regulations to which we are subject, maintain good relationships with our key regulators and our current systems and controls are adequate, we cannot assure that such systems and controls will prevent any violations of any applicable laws and regulations. While we strive to remain fully-compliant with all applicable laws and regulations, we cannot guarantee that we will fully comply at all times with all laws and regulations, especially in countries with developing or evolving legal systems or with evolving or extra-territorial regulations. In particular, given the challenges of integrating operations, many of which are de-centralized, we cannot assure that our newly-acquired entities' business systems and controls have prevented or will prevent any and all violations of applicable laws or regulations.

The decision by the United Kingdom to leave the European Union, and the risk that other countries may follow, could adversely affect us.

In 2017, approximately 22% of our revenues are generated in the U.K., although only about 13% of revenues are denominated in Pounds sterling as much of the insurance business is transacted in U.S. dollars. Approximately 19% of our expenses are denominated in Pounds sterling. Given the status of Brexit, at this time, we are not able to predict the impact that it will have on the economy; economic, regulatory and political stability; and market conditions in Europe, including in the U.K., or on Pound sterling, Euro or other European currencies, but any such impacts and others we cannot currently anticipate could materially adversely affect us and our operations. Among other things, we could experience: lower growth in the region due to indecision as businesses hold off on generating new projects or due to adverse market conditions; and reduced reported revenues and earnings because foreign currencies may translate into fewer U.S. dollars due to the fact that we translate revenue denominated in non-U.S. currencies such as Pounds sterling into U.S. dollars for our financial statements. In addition, there can be no assurance that our hedging strategies will be effective.

The British government began negotiating the terms of the U.K.'s future relationship with the E.U. in 2017. While certain separation issues have been resolved, there is still significant uncertainty with respect to the terms of the future relationship between the E.U. and the U.K. Although we cannot anticipate what those terms will be, the Company is heavily invested in and focused on the U.K. in our businesses and activities. If Brexit negatively impacts the U.K., then it could have a material adverse impact on us. In addition, Brexit may result in greater restrictions on business between the U.K. and E.U. countries and increased regulatory complexities. This and other factors could cause us to move businesses or operations outside of the U.K. There is also uncertainty as to how the U.K.'s access to the E.U. Single Market and the wider trading, legal, regulatory, tax and labor environments, especially in the U.K. and E.U., will be impacted, including the resulting impact on our business and that of our clients. Any such changes may adversely affect our operations and financial results. For example, any changes to the passporting or other regulations relating to doing business in various E.U. countries by relying on a regulatory permission in the U.K. (or doing business in the U.K. by relying on a regulatory permission in an E.U. country) could increase our costs of doing business, or our ability to do so. As another example, changes in labor laws may impact the ability to hire and retain non-U.K. staff in the U.K. or U.K. staff in the E.U. In addition, the outcome of the referendum has created uncertainty with regard to the regulation of data protection in the U.K. Among other things, it is unclear whether the U.K. will enact legislation similar to the pending European General Data Protection Regulation after Brexit, and how data transfers to and from the U.K. will be regulated. A change in such regulations, or other regulations, could increase our costs of doing business, or in some cases our ability to do business, and adversely impact our operations and financial results.

There is also a risk that other countries may decide to leave the E.U. We cannot predict the impact that any additional countries leaving the E.U. will have on us, but any such impacts could materially adversely affect us.

Our business performance and growth plans could be negatively affected if we are not able to effectively apply technology and analytics to drive value for our clients through technology-based solutions or gain internal efficiencies through the effective application of technology, analytics and related tools.

Our success depends, in part, on our ability to develop and implement technology and analytic solutions that anticipate, lead or keep pace with rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments in a timely and cost-effective manner, and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies or analytic techniques in our business requires us to incur significant cost. Our competitors are seeking to develop competing technologies, and their success in this space may impact our ability to differentiate our services to our clients through the use of unique technological solutions. If we cannot offer new technologies or analytic services or solutions as quickly or effectively as our competitors, or if our competitors develop more cost-effective technologies or analytic tools, it could have a material adverse effect on our ability to obtain and complete client engagements.

Our business may be harmed by any negative developments that may occur in the insurance industry or if we fail to maintain good relationships with insurance carriers.

Many of our businesses are heavily dependent on the insurance industry. Any negative developments that occur in the insurance industry may have a material adverse effect on our business and our results of operations. In addition, if we fail to maintain good relationships with insurance carriers, it may have a material adverse effect on our business and results of operations.

The private health insurance industry in the U.S. has experienced a substantial amount of consolidation over the past several years, resulting in a decrease in the number of insurance carriers. In the future, it may become necessary for us to offer insurance plans from a reduced number of insurance carriers or to derive a greater portion of our revenues from a more concentrated number of carriers as our business and the health insurance industry evolve. The termination, amendment or consolidation of our relationship with our insurance carriers could harm our business, results of operations and financial condition.

Changes and developments in the health insurance system in the United States could harm our business.

In 2010, the Federal government enacted significant reforms to healthcare legislation through Healthcare Reform. Many of our lines of business depend upon the private sector of the U.S. insurance system, its role in financing health care delivery, and insurance carriers’ use of, and payment of commissions to, agents, brokers and other organizations to market and sell individual and family health insurance plans. Healthcare Reform contains provisions that have changed and will continue to change the industry in which we operate in substantial ways.

The new administration, and certain key members of Congress have expressed a desire to replace or amend all or a portion of Healthcare Reform. Any partial or complete repeal or amendment or implementation difficulties, or uncertainty regarding such events, could increase our costs of compliance, prevent or delay future adoption of our exchange platform, and adversely impact our results of operations and financial condition. Given the uncertainty relating to the potential repeal and replacement of Healthcare Reform, the impact is difficult to determine, but it could have negative effects on us, including:

- increasing our competition;
- reducing or eliminating the need for health insurance agents and brokers or demand for the health insurance that we sell;
- decreasing the number of types of health insurance plans that we sell, as well as the number of insurance carriers offering such plans;
- causing insurance carriers to change the benefits and/or premiums for the plans they sell;
- causing insurance carriers to reduce the amount they pay for our services or change our relationship with them in other ways; or
- materially restricting our call center operations.

Any of these effects could materially harm our business and results of operations. For example, the manner in which the Federal government and the states implement health insurance exchanges and the process for receiving subsidies and cost-sharing credits could substantially increase our competition and member turnover and substantially reduce the number of individuals who purchase insurance through us. Various aspects of Healthcare Reform could cause insurance carriers to limit the types of health insurance plans we are able to sell and the geographies in which we are able to sell them. In addition, the U.S. Congress may seek to find spending cuts, and such cuts may include Medicare. If cuts are made to Medicare, there may be substantial changes in the types of health insurance plans we are able to sell. Changes in the law could also cause insurance carriers to exit the business of selling insurance plans in a particular jurisdiction, to eliminate certain categories of products or to attempt to move members into new plans for which we receive lower commissions. If insurance carriers decide to limit our ability to sell their plans or determine not to sell individual health insurance plans altogether, our business, results of operations and financial condition would be materially harmed.

Our growth strategy depends, in part, on our ability to make acquisitions and we face risks when we acquire or divest businesses, and could have difficulty in acquiring, integrating or managing acquired businesses, or with effecting internal reorganizations, all of which could harm our business, financial condition, results of operations or reputation.

Our growth depends in part on our ability to make acquisitions. We may not be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms acceptable or favorable to us. We also face additional risks related to acquisitions, including that we could overpay for acquired businesses and that any acquired business could significantly underperform relative to our expectations. If we are unable to identify and successfully make, integrate and manage acquisitions, our business could be materially adversely affected. In addition, we face risks related to divesting businesses, including that we may not receive adequate consideration in return for the divested business, we may continue to be subject to the liabilities of the divested business after its divestiture (including with respect to work we might perform on behalf of the divested business), and we may not be able to reduce overhead or redeploy assets or retain colleagues after the divestiture closes.

In addition, we cannot be certain that our acquisitions will be accretive to earnings or that our acquisitions or divestitures will otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses, and acquired businesses may not achieve the levels of revenue, profit or productivity we anticipate or otherwise perform as we expect. In addition, if the operating performance of an acquired business deteriorates significantly, we may need to write down the value of the goodwill and other acquisition-related intangible assets recorded on our balance sheet.

We may be unable to effectively integrate an acquired business into our organization, and may not succeed in managing such acquired businesses or the larger company that results from such acquisitions. The process of integrating an acquired business may subject us to a number of risks, including, without limitation, an inability to retain the management, key personnel and other employees of the acquired business; an inability to establish uniform standards, controls, systems, procedures and policies or to achieve anticipated synergies; and exposure to legal claims for activities of the acquired business prior to acquisition.

We may also face similar challenges in effecting internal reorganizations. If acquisitions or internal reorganizations are not successfully integrated, our business, financial condition and results of operations could be materially adversely affected, as well as our professional reputation. We also own an interest in a number of associates where we do not exercise management control and we are therefore limited in our ability to direct or manage the business to realize the anticipated benefits that we could achieve if we had full ownership.

Limited protection of our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.

We cannot guarantee that trade secret, trademark and copyright law protections are adequate to deter misappropriation of our intellectual property (including our software, which may become an increasingly important part of our business). Existing laws of some countries in which we provide services or products may offer only limited protection of our intellectual property rights. Also, we may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights, which may have a material adverse impact on our business, financial condition or results of operations. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability, consume financial resources to pursue or defend, and prevent us from offering some services or products.

Financial and Tax Risks

Our outstanding debt could adversely affect our cash flows and financial flexibility and we may not be able to obtain financing on favorable terms or at all.

Willis Towers Watson had total consolidated debt outstanding of approximately $4.5 billion as of December 31, 2017, and our interest expense was $188 million for the year ended December 31, 2017.

Although management believes that our cash flows will be sufficient to service this debt, there may be circumstances in which required payments of principal and/or interest on this debt could adversely affect our cash flows and this level of indebtedness may:

- require us to dedicate a significant portion of our cash flow from operations to payments on our debt, thereby reducing the availability of cash flow to fund capital expenditures, to pursue other acquisitions or investments, to pay dividends and for general corporate purposes;
- increase our vulnerability to general adverse economic conditions, including when we borrow at variable interest rates, which makes us vulnerable to increases in interest rates generally;
- limit our flexibility in planning for, or reacting to, changes or challenges relating to our business and industry; and
- put us at a competitive disadvantage against competitors who have less indebtedness or are in a more favorable position to access additional capital resources.

The terms of our current financings also include certain limitations. For example, the agreements relating to the debt arrangements and credit facilities contain numerous operating and financial covenants, including requirements to maintain minimum ratios of consolidated EBITDA to consolidated cash interest expense and maximum levels of consolidated funded indebtedness in relation to consolidated EBITDA, in each case subject to certain adjustments. The operating restrictions and financial covenants in our credit facilities do, and any future financing agreements may, limit our ability to finance future operations or capital needs or to engage in other business activities.

A failure to comply with the restrictions under our credit facilities and outstanding notes could result in a default under the financing obligations or could require us to obtain waivers from our lenders for failure to comply with these restrictions. The occurrence of a default that is not cured or the inability to secure a necessary consent or waiver could cause our obligations with respect to our debt to be accelerated and have a material adverse effect on our business, financial condition or results of operations.

The maintenance and growth of our business depends on our access to capital, which will depend in large part on cash flow generated by our business and the availability of equity and debt financing. There can be no assurance that our operations will generate sufficient positive cash flow to finance all of our capital needs or that we will be able to obtain equity or debt financing on favorable terms or at all, which could have a material adverse effect on us.

A downgrade to our corporate credit rating and the credit ratings of our outstanding debt may adversely affect our borrowing costs and financial flexibility and, under certain circumstances, may require us to offer to buy back some of our outstanding debt.

A downgrade in our corporate credit rating or the credit ratings of our debt would increase our borrowing costs including those under our credit facilities, and reduce our financial flexibility. In addition, certain downgrades would trigger a step-up in interest rates under the indentures for certain of our senior notes, which would increase our interest expense. If we need to raise capital in the future, any credit rating downgrade could negatively affect our financing costs or access to financing sources.

In addition, under the indenture for our 3.600% senior notes due 2024, our 4.625% senior notes due 2023, our 6.125% senior notes due 2043, our 3.500% senior notes due 2021, our 4.400% senior notes due 2026, and our 2.125% senior notes due 2022, if we experience a ratings decline together with a change of control event, we would be required to offer to purchase these notes from holders unless we had previously redeemed those notes. We may not have sufficient funds available or access to funding to repurchase tendered notes in that event, which could result in a default under the notes. Any future debt that we incur may contain covenants regarding repurchases in the event of a change of control triggering event.

Legislative or regulatory action in the U.S. or abroad could materially adversely affect our ability to maintain a competitive worldwide effective corporate tax rate.

We cannot give any assurance as to what our effective tax rate will be in the future, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from expectations and that variance may be material. Additionally, the tax laws of Ireland and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

On December 22, 2017, the U.S. government enacted comprehensive tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (the 'U.S. Tax Reform'). The U.S. Tax Reform includes numerous changes to existing tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%. Although the rate reduction takes effect on January 1, 2018, the impact to the Company on the re-measurement of its deferred taxes was significant. Among other things, U.S. Tax Reform could cause us to lose the benefit of certain tax credits and deductions (including for performance-based compensation under Section 162(m)), limit our ability to deduct interest incurred in the U.S. and potentially increase our income taxes due to the base erosion and anti-abuse tax and one-time transition tax on unrepatriated earnings of certain foreign subsidiaries. While we recorded provisional estimates for 2017, we will continue to evaluate the overall impact of U.S. Tax Reform on our operations and tax position over the next twelve months. Our expectations of the impact of U.S. Tax Reform are also subject to change, possibly materially, due to, among other things, changes in interpretation or assumptions, and/or updated regulatory guidance. The U.S. Tax Reform could have a material adverse effect on our financial results.

Further legislative action may be taken by the U.S. Congress which, if ultimately enacted, could limit the availability of tax benefits or deductions that we currently claim, override tax treaties upon which we rely, or otherwise affect the taxes that the U.S. imposes on our worldwide operations. Regulations or administrative guidance from the U.S. Treasury Department could have similar consequences. Such changes could materially adversely affect our effective tax rate and/or require us to take further action, at potentially significant additional expense, to seek to preserve our effective tax rate. In addition, if proposals were enacted that have the effect of limiting our ability as an Irish company to take advantage of tax treaties with the U.S., we could incur additional tax expense and/or otherwise experience business detriment.

In addition, the U.S. Congress, the Organisation for Economic Co-operation and Development ('OECD'), World Trade Organization and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting", where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. In October 2015, the OECD released final reports addressing fifteen specific actions as part of a comprehensive plan to create an agreed set of international rules for fighting base erosion and profit shifting. Although the timing and methods of implementation vary, several jurisdictions have enacted legislation that is aligned with, and in some cases exceeds the scope of, the OECD's recommendations. Ireland is currently conducting hearings on the Irish Corporate Tax System and is considering changes that could be adopted as part of its 2018 Budget, which could be effective as early as 2019. As a result, the tax laws in the U.S., Ireland, and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

Our significant non-U.S. operations, particularly our London market operations, expose us to exchange rate fluctuations and various other risks that could impact our business.

A significant portion of our operations is conducted outside of the U.S. Accordingly, we are subject to legal, economic and market risks associated with operating in foreign countries, including devaluations and fluctuations in currency exchange rates;

imposition of limitations on conversion of foreign currencies into Pounds sterling or U.S. dollars or remittance of dividends and other payments by foreign subsidiaries; hyperinflation in certain foreign countries; imposition or increase of investment and other restrictions by foreign governments; and the requirement of complying with a wide variety of foreign laws. Additionally and as noted above, the unknown impacts of Brexit may expose us to additional exchange rate fluctuations in the Pound Sterling.

We report our operating results and financial condition in U.S. dollars. Our U.S. operations earn revenues and incur expenses primarily in U.S. dollars. In our London market operations, however, we earn revenues in a number of different currencies, but expenses are almost entirely incurred in Pounds sterling. Outside of the U.S. and our London market operations, we predominantly generate revenues and expenses in local currencies.

Because of devaluations and fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into U.S. dollars, we are subject to currency translation exposure on the profits of our operations, in addition to economic exposure. Furthermore, the mismatch between Pounds sterling revenues and expenses, together with any net Pound sterling balance sheet position we hold in our U.S. dollar denominated London market operations, creates an exchange exposure. While we do utilize hedging strategies to attempt to minimize the impact of foreign currency fluctuations, there can be no assurance that our hedging strategies will be effective.

Changes in accounting principles or in our accounting estimates and assumptions could negatively affect our financial position and results of operations.

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America ('U.S. GAAP'). Any change to accounting principles, particularly to U.S. GAAP, could have a material adverse effect on us or our results of operations. For example, we adopted a new revenue recognition standard as of January 1, 2018. Changes in our revenues and costs on a year over year basis could occur as a result of such adoption, and in any event the standards will impact the presentation of our financial results.

U.S. GAAP accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions, including those relating to revenue recognition, valuation of billed and unbilled receivables from clients, discretionary compensation, incurred but not reported liabilities, restructuring, pensions, goodwill and other intangible assets, contingencies, share-based payments and income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. Actual results could differ from these estimates, and changes in accounting standards could have an adverse impact on our future financial position and results of operations.

In addition, we have a substantial amount of goodwill on our balance sheet as a result of acquisitions we have completed, and we significantly increased goodwill as a result of the Merger. We review goodwill for impairment annually or whenever events or circumstances indicate impairment may have occurred. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets, liabilities and goodwill to reporting units and the determination of the fair value of each reporting unit. A significant deterioration in a key estimate or assumption or a less significant deterioration to a combination of assumptions or the sale of a part of a reporting unit could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings.

We have material pension liabilities that can fluctuate significantly and adversely affect our financial position or net income or result in other financial impact.

We have material pension liabilities, some of which represent unfunded and underfunded pension and postretirement liabilities. Movements in the interest rate environment, investment returns, inflation or changes in other assumptions that are used to estimate our benefit obligations and other factors could have a material effect on the level of liabilities in these plans at any given time. Most pension plans have minimum funding requirements that may require material amounts of periodic additional funding and accounting requirements that may result in increased pension expense. For example, in 2017 we were required to recognize a £27 million ($36 million) pension settlement expense related to transfer payments and the accelerated recognition of certain accumulated losses in our U.K. pension scheme. Depending on the above factors, among others, we could be required to recognize further pension expense in the future. Increased pension expense could adversely affect our earnings or cause earnings volatility. In addition, the need to make additional cash contributions may reduce our financial flexibility and increase liquidity risk by reducing the cash available to meet our other obligations, including the payment obligations under our credit facilities and other long-term debt, or other needs of our business.

Our quarterly revenues could fluctuate, including as a result of factors outside of our control, while our expenses are relatively fixed.

Quarterly variations in our revenues and results of operations have occurred in the past and could occur as a result of a number of factors, such as: the significance of client engagements commenced and completed during a quarter; seasonality of certain types of services; the number of business days in a quarter; colleague hiring and utilization rates; our clients' ability to terminate engagements without penalty; the size and scope of assignments; and general economic conditions.

We derive significant revenues from commissions for brokerage services, but do not determine the insurance premiums on which our commissions are generally based. Commission levels generally follow the same trend as premium levels, as they are a percentage of the premiums paid by the insureds. Fluctuations in the premiums charged by the insurance carriers can therefore have a direct and potentially material impact on our results of operations. Due to the cyclical nature of the insurance market and the impact of other market conditions on insurance premiums, commission levels may vary widely between accounting periods. A period of low or declining premium rates, generally known as a 'soft' or 'softening' market, generally leads to downward pressure on commission revenues and can have a material adverse impact on our commission revenues and operating margin. We could be negatively impacted by soft market conditions across certain sectors and geographic regions. In addition, insurance carriers may seek to reduce their expenses by reducing the commission rates payable to insurance agents or brokers such as us. The reduction of these commission rates, along with general volatility and/or declines in premiums, may significantly undermine our profitability.

A sizeable portion of our total operating expenses is relatively fixed, encompassing the majority of administrative, occupancy, communications and other expenses, depreciation and amortization, and salaries and employee benefits excluding financial year-end incentive bonuses. Therefore, a variation in the number of client assignments or in the timing of the initiation or the completion of client assignments or our inability to forecast demand can cause significant variations in quarterly operating results and could result in losses and volatility in our stock price.

The laws of Ireland differ from the laws in effect in the United States and may afford less protection to holders of our securities.

It may not be possible to enforce court judgments obtained in the U.S. against us in Ireland, based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

As an Irish company, we are governed by the Irish Companies Act 2014, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the United States.

We are a holding company and, therefore, may not be able to receive dividends or other distributions in needed amounts from our subsidiaries.

The Company is organized as a holding company, a legal entity separate and distinct from our operating subsidiaries. As a holding company without significant operations of our own, we are dependent upon dividends and other payments from our operating subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, for paying dividends to shareholders, for repurchasing shares of common stock and for corporate expenses. Legal and regulatory restrictions, foreign exchange controls, as well as operating requirements of our subsidiaries, may limit our ability to obtain cash from these subsidiaries. For example, Willis Limited, our U.K. brokerage subsidiary regulated by the FCA, is currently required to maintain $140 million in unencumbered and available financial resources, of which at least $79 million must be in cash, for regulatory purposes. In the event our operating subsidiaries are unable to pay dividends and other payments to the Company, we may not be able to service debt, pay obligations or pay dividends on, or repurchase shares of, common stock.

In the event we are unable to generate cash from our operating subsidiaries for any of the reasons discussed above, our overall liquidity could deteriorate.

Quantitative and Qualitative Disclosures about Market Risk

Financial Risk Management

We are exposed to market risk from changes in foreign currency exchange rates and interest rates. In order to manage the risk arising from these exposures, we enter into a variety of interest rate and foreign currency derivatives. We do not hold financial or derivative instruments for trading purposes.

A discussion of our accounting policies for financial and derivative instruments is included in Notes 2 and 9 to the Consolidated Financial Statements.

Foreign Exchange Risk

Because of the large number of countries and currencies we operate in, movements in currency exchange rates may affect our results.

We report our operating results and financial condition in U.S. dollars. Our U.S. operations earn revenues and incur expenses primarily in U.S. dollars. Outside the United States, we predominantly generate revenues and expenses in the local currency with the exception of our London market operations which earn revenues in several currencies but incur expenses predominantly in Pounds sterling.

The table below gives an approximate analysis of revenues and expenses by currency in 2017.

	U.S. dollars	Pounds sterling	Euro	Other currencies
Revenues	55%	13%	15%	17%
Expenses (i)	50%	19%	13%	18%

(i) These percentages exclude certain expenses for significant items which will not be settled in cash, or which we believe to be items that are not core to our current or future operations. These items include Merger-related amortization of intangible assets, restructuring costs, transaction and integration expenses, and significant pension settlements.

Our principal exposures to foreign exchange risk arise from:

- our London market operations; and
- translation.

London market operations

The Company's primary foreign exchange risks in its London market operations arise from changes in the exchange rate between the U.S. dollar and Pound sterling as its London market operations earn the majority of its revenues in U.S. dollars but incurs expenses predominantly in Pounds sterling, and may also hold a significant net sterling asset or liability position on the balance sheet. In addition, the London market operations earn significant revenues in Euro and Japanese yen.

The foreign exchange risks in our London market operations are hedged to the extent that:

- forecast Pounds sterling expenses exceed Pounds sterling revenues, in which case the Company limits its exposure to this exchange rate risk by the use of forward contracts matched to forecast Pounds sterling outflows arising in the ordinary course of business. In addition, we are also exposed to foreign exchange risk on any net Pounds sterling asset or liability position in our London market operations;
- the U.K. operations also earn significant revenues in Euro and Japanese yen. The Company limits its exposure to changes in the exchange rate between the U.S. dollar and these currencies by the use of foreign exchange contracts matched to a proportion of forecast cash inflows in these specific currencies and periods; and
- Miller Insurance Services LLP, which is a Pounds sterling functional entity, earns significant non-functional currency revenues, in which case the Company limits its exposure to exchange rate changes by the use of foreign exchange contracts matched to a proportion of forecast cash inflows in specific currencies and periods.

Translation risk

Outside our U.S. and London market operations, we predominantly earn revenues and incur expenses in the local currency. When we translate the results and net assets of these operations into U.S. dollars for reporting purposes, movements in exchange rates will affect reported results and net assets. For example, if the U.S. dollar strengthens against the Euro, the reported results of our Eurozone operations in U.S. dollar terms will be lower.

With the exception of foreign currency hedges for certain intercompany loans that are not designated as hedging instruments, we do not hedge translation risk.

The table below provides information about our foreign currency forward exchange contracts, which are sensitive to exchange rate risk. The table summarizes the U.S. dollar equivalent amounts of each currency bought and sold forward and the weighted average contractual exchange rates. All forward exchange contracts mature within three years.

	Settlement date before December 31,					
	2018		2019		2020	
December 31, 2017	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate
	(millions)		(millions)		(millions)	
Foreign currency sold						
U.S. dollars sold for Pounds sterling	$ 392	$1.40 = £1	$ 236	$1.36 = £1	$ 91	$1.37 = £1
Euros sold for U.S. dollars	78	€1 = $1.16	47	€1 = $1.20	15	€1 = $1.23
Japanese yen sold for U.S. dollars	29	¥110.67 = $1	17	¥105.19 - $1	4	¥104.11 = $1
Euros sold for Pounds sterling	15	€1 = £1.22	9	€1 = £1.13	4	€1 = £1.10
Total	$ 514		$ 309		$ 114	
Fair value (i)	$ (25)		$ 3		$ 1	

(i) Represents the difference between the contract amount and the cash flow in U.S. dollars which would have been receivable had the foreign currency forward exchange contracts been entered into on December 31, 2017 at the forward exchange rates prevailing at that date.

Income earned within foreign subsidiaries outside of the United Kingdom is generally offset by expenses in the same local currency but the Company does have exposure to foreign exchange movements on the net income of these entities.

Interest Rate Risk

The Company has access to (i) $1.25 billion under a revolving credit facility expiring March 7, 2022, and (ii) $20 million available under another revolving credit facility which is only available for specific regulatory purposes. As of December 31, 2017, $884 million was drawn on these facilities. We are also subject to market risk from exposure to changes in interest rates based on our investing activities where our primary interest rate risk arises from changes in short-term interest rates in both U.S. dollars and Pounds sterling.

As a result of our operating activities, we receive cash for premiums and claims which we deposit in short-term investments denominated in U.S. dollars and other currencies. We earn interest on these funds, which is included in our consolidated financial statements as interest income. These funds are regulated in terms of access and the instruments in which they may be invested, most of which are short-term in maturity.

The table below provides information about our derivative instruments and other financial instruments that are sensitive to changes in interest rates. For interest rate swaps, the table presents notional principal amounts and average interest rates analyzed by expected maturity dates. Notional principal amounts are used to calculate the contractual payments to be exchanged under the contracts. The duration of the interest rate swaps was three years, with re-fixing periods of three months. Average fixed and variable rates are, respectively, the weighted-average actual and market rates for the interest rate hedges in place. Market rates are the rates prevailing at December 31, 2017. We have evaluated the need for a sensitivity analysis, and based on the Company's debt, we believe this to be immaterial.

	Expected to mature before December 31,							
	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value(i)
	($ millions, except percentages)							
Fixed rate debt								
Principal	—	$ 187	—	$ 950	$ 644	$ 1,725	$ 3,506	$ 3,737
Fixed rate payable	—	7.000%	—	4.684%	2.125%	4.406%	4.201%	
Floating rate debt								
Principal	$ 85	$ 85	—	—	$ 884	—	$ 1,054	$ 1,054
Variable rate payable (ii)	3.339%	3.597%	—	—	3.965%	—	3.885%	
Derivatives - interest rate swaps								
Notional principal	—	$ 300	—	—	—	—	$ 300	—
Fixed rate receivable	—	1.167%	—	—	—	—	1.167%	
Variable rate payable	—	0.567%	—	—	—	—	0.567%	

(i) Represents the net present value of the expected cash flows discounted at current market rates of interest or quoted market rates as appropriate.

(ii) Represents the estimated interest rate payable.

Credit Risk and Concentrations of Credit Risk

Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Company currently does not anticipate non-performance by its counterparties. The Company generally does not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments on the balance sheet that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, fiduciary funds, accounts receivable and derivatives which are recorded at fair value.

The Company maintains a policy providing for the diversification of cash and cash equivalent investments and places such investments in an extensive number of financial institutions to limit the amount of credit risk exposure. These financial institutions are monitored on an ongoing basis for credit quality predominantly using information provided by credit agencies.

Concentrations of credit risk with respect to receivables are limited due to the large number of clients and markets in which the Company does business, as well as the dispersion across many geographic areas. Management does not believe significant risk exists in connection with the Company's concentrations of credit as of December 31, 2017.

Subsidiary Companies

Information regarding principal subsidiary undertakings and undertakings of substantial interest is provided in Note 24 to the Consolidated Financial Statements.

Branches

As of December 31, 2017, Willis Towers Watson had the following branches of European Economic Area ('E.E.A.') entities in other E.E.A. member states: Willis s.r.o. branch in Slovakia; Willis Limited branches in Belgium, France, the Netherlands and Spain; Willis Risk Services (Ireland) Limited branch in the U.K.; Miller Insurance Services LLP branches in Belgium and France; Trade Credit Brokers Limited branch in the U.K.; Gras Savoye NSA S.A.S. branch in Portugal; Towers Watson Limited branch in Germany; and Willis Europe B.V. branch in the U.K.

Political Donations

Neither the Parent Company nor its subsidiaries made any political donations which are required to be disclosed under Irish law for the year ended December 31, 2017 (2016: none).

Environment

Willis Towers Watson recognizes the importance of its environmental responsibilities, and its impact on the environment on a location by location basis, and designs and implements policies to reduce any damage that might be caused by Willis Towers Watson's activities.

Employees

Details of staff employed during the period by the Company and its subsidiaries are set out in Note 16 to the Consolidated Financial Statements.

Accounting Records

To ensure that adequate accounting records are kept in accordance with Sections 281 to 285 of the Companies Act 2014 the Directors have employed appropriately qualified accounting personnel and have maintained appropriate computerized accounting systems. The accounting records are held at the Company's registered office at Elm Park, Merrion Road, Dublin 4, Ireland.

Directors and Secretary

As shown in 'Officers and corporate information' on page 6, which forms part of this report, the Directors of the Company are John J. Haley, Anna C. Catalano, Victor F. Ganzi, Wendy E. Lane, James F. McCann, Brendan R. O'Neill, Jaymin B. Patel, Linda D. Rabbitt, Paul Thomas and Wilhelm Zeller and the Secretary of the Company is Nicole Napolitano.

Jeffrey W. Ubben resigned as a Director of the Company, effective as of November 15, 2017. There were no other changes in Directors during the year or after year-end.

Directors' and Secretary's Interests

None of the Directors, nor the Company Secretary, in office at December 31, 2017 was interested in 1 percent or over of the share capital of the ultimate parent company at December 31, 2017 or December 31, 2016.

There have been no contracts or arrangements entered into during the financial period in which a Director of the Company was materially interested and which were significant in relation to Willis Towers Watson's business.

Directors' Responsibilities Statement in relation to the Financial Statements

The Directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the Directors to prepare financial statements for each financial year. Under Irish company law, the Directors have elected to prepare the Company financial statements in accordance with accounting principles generally accepted in the United States of America ('US GAAP'), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the Company financial statements does not contravene any provision of Part 6 of the Companies Act 2014, and to prepare the Parent Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('relevant financial reporting framework').

Under Irish company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and the Parent Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies for the Company and Parent Company financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps, or causes to be kept, adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Compliance Statement

As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)). The directors further confirm that a "compliance policy statement" (as defined in section 225(3)(a)) has been drawn up, that appropriate arrangements and structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations have been put in place and that a review of those arrangements and structures has been conducted in the financial year to which this report relates.

Relevant Audit Information

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's statutory auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Audit and Risk Committee

The Company has established an Audit and Risk Committee which is in conformity with the provisions of Section 167 of the Companies Act 2014, with responsibilities including:

- the monitoring of the financial reporting process;
- the monitoring of the effectiveness of the Company's systems of internal control, internal audit and risk management;
- the monitoring of the statutory audit of the Company's statutory financial statements; and
- the review and monitoring of the independence of the statutory auditor and the provision of additional services to the Company.

Auditor

A resolution relating to the reappointment of Deloitte LLP, Chartered Accountants and Statutory Audit Firm, United Kingdom, as auditor will be proposed at the forthcoming Annual General Meeting of Shareholders.

On behalf of the Directors

/s/ Victor F. Ganzi Director	/s/ Wendy E. Lane Director
Date: April 3, 2018	Date: April 3, 2018

Elm Park
Merrion Road
Dublin 4, Ireland

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS TOWERS WATSON PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Willis Towers Watson Public Limited Company ('the Company') and its subsidiaries ('the Group') for the year ended December 31, 2017, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in Note 2. The relevant financial reporting framework that has been applied in the preparation of the consolidated financial statements comprises the Companies Act 2014 and the US accounting standards as defined in Section 279 of the Companies Act 2014 ('US GAAP') to the extent that the use of those principles in preparation of the consolidated financial statements does not contravene any provision of Part 6 of the Companies Act 2014 ('relevant financial reporting framework').

In our opinion, the Group financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority (IAASA), as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and allocation of Errors and Omissions Provisions	
Key audit matter description	The Group is subject to claims and litigation arising from assertion of Errors & Omissions ('E&O') resulting from the Group's insurance broking and consulting activities. There is a risk of misstatement arising from: - Key assumptions in the incurred but not reported 'IBNR' component for the Legacy Towers Watson business which relate to anticipated average cost per notification, the expected number of notifications per annum and the modelled lag period between the error date and date of notification to the legal department; - Estimates of fully developed losses on asserted and outstanding claims in the incurred but not reported 'IBNR' component for the Legacy Towers Watson business; and - Provision for any specific large potentially material E&O cases, such as the Stanford Financial Group Litigation ($120 million as at December 31, 2017) that was accrued in 2015. Refer to Note 13 of the financial statements.
How the scope of our audit responded to the key audit matter	We tested the design and operating effectiveness of controls over these processes including controls over the underlying data that is used to calculate such provisions. For the Legacy Towers Watson IBNR we validated the appropriateness of the IBNR model and inquired regarding any changes in the estimation process or model. We used our internal actuarial experts in assessing the reasonableness of key inputs to the model and recalculating management's schedules and the resulting estimated liability. We understood management's rationale and analyzed the appropriateness of selected factors. We liaised with the Group's internal legal counsel to understand if there were any individually material litigation matters that could have a significant impact of the Group's financial statements for year ending December 31, 2017. We discussed the individual material litigation matters with external lawyers handling that matter for the Group.
Key observations	We performed the planned procedures without noting any material issues.

Accuracy and Cutoff of Multi-Year Broking Revenue Arrangements	
Key audit matter description	We have identified a key audit matter in relation to possibility of management not properly considering the multi-year and multiple deliverable nature of these policies and revenue arrangements. This affects revenue accuracy and cut-off as unlike the majority of brokerage related contracts, the basis of these policies span a period greater than one year and may have multiple element arrangements. There is a risk of misstatement in relation to multi-year and multi-element arrangements in commissions and fees in the Corporate Risk and Broking and Investment, Risk and Reinsurance segments.
How the scope of our audit responded to the key audit matter	We tested the design and operating effectiveness of controls over this process including controls over the underlying data used in the respective management review controls. We performed detailed testing on multi-year policies and multiple element arrangements to examine the substance of the contracts in order to assess the identification of units of account, allocation of revenue and recognition were appropriate in light of the services and manner in which each was rendered. We also tested contract terms to ensure that persuasive evidence of an arrangement existed and that revenue was recognized only once services had been rendered.
Key observations	We performed the planned procedures without noting any material issues.

U.S. Tax Reform - Tax Cuts and Jobs Act ('the Tax Act')	
Key audit matter description	The Tax Act was signed into law on December 22, 2017. Among other provisions, it lowered the U.S. Corporate Tax Rate from 35% to 21% beginning in 2018. However, there were several provisions which impacted 2017 financial reporting for the Group, including the remeasurement of deferred tax assets and liabilities, the transition tax on accumulated earnings, and certain changes to interest limitation rules. There is a risk that the financial statement impacts of the Tax Act, as well as the related disclosures, are materially misstated.
How the scope of our audit responded to the key audit matter	We reviewed the provisions of the Tax Act and evaluated which aspects were applicable to the Group. We then performed a risk assessment, considering both qualitative and quantitative factors, and developed audit procedures appropriate to address the risks of material misstatement. We tested the design and operating effectiveness of controls over the evaluation of tax reform, as well as controls over the determination of the financial statement impacts and related disclosures. We recalculated the impact of the change in tax rate for deferred taxes as of the date of enactment, analyzed the benefit of the change in tax rate and evaluated any specific impacts to other tax attributes within the tax provision. For the transition tax, we analyzed the assumptions and inputs used in calculating the transition tax liability, including accumulated Earnings & Profits, foreign taxes, cash balances, and application of the new tax laws. We assessed whether the Group's interest limitation calculation is in accordance with the new IRC Section 163(j) and 267A rules and evaluated whether a valuation allowance was required for a deferred tax asset (DTA) for any disallowed interest. We evaluated the accuracy and completeness of SEC Staff Accounting Bulletin No. 118 disclosures. We challenged the appropriateness of the Company's ability to recognize provisional amounts and properly disclose the provisional nature of such items, as well as those which are incomplete, by reviewing evidence and information available to the Group to make such assessments.
Key observations	We performed the planned procedures without noting any material issues.

Adoption of Revenue Recognition Standard ASC 606 ('the Standard')	
Key audit matter description	The Group's revenues are subject to the scope of ASC 606 which is effective on January 1, 2018. The principles-based Standard requires the exercise of significant judgement and estimation in applying certain aspects of the Standard's requirements and creates a need to gather and track information for the Standard's expanded disclosure requirements that may not have previously been monitored, requiring changes in information systems, processes and internal controls. Judgements and estimation must be made in all five steps of the new revenue recognition model, including determining the customer, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and determining the appropriate timing of revenue recognition for individual and portfolio levels of contracts with customers. The Group is required to disclose the impact of the new standard as part of its annual filings, which includes a summary of the significant effects of adoption on specific product categories or revenue streams, including changes in the timing of revenue recognition as well as changes in cost deferral. In addition, the Group must disclose a range of the transition adjustment which will be recorded during the first quarter of 2018 as an adjustment to opening retained earnings under the modified retrospective approach selected by the Group for adoption.
How the scope of our audit responded to the key audit matter	We tested the design and operating effectiveness of controls over this process including controls over management's identification of the Group's revenues which were impacted by the standard, and controls over the underlying data that is used to calculate the transition adjustments. We evaluated the Group's analysis and application of the Standard as it relates to each of the Group's businesses and the assumptions and estimates made by management in applying the Standards. We tested the underlying data inputs and the mathematical accuracy of the models underlying the transition adjustment calculations. We evaluated the completeness and sufficiency of the disclosures relating to the implementation.
Key observations	We performed the planned procedures without noting any material issues.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	$73 million
Basis for determining materiality	We determined the materiality using a multiple benchmark approach considering adjusted profit before tax ('PBT'), adjusted earnings before interest, taxes, depreciation and amortization ('EBITDA') and revenue to be the relevant benchmarks, with normalised GAAP PBT and EBITDA as supporting benchmarks. Based on the results of our analysis, we determined and selected the materiality level of $73 million for the consolidated financial statements.
Rationale for the benchmark applied	The attention of the users of the Group's financial statements is primarily focused on adjusted earnings per share (and therefore Adjusted PBT), Adjusted EBITDA and revenue.

We agreed with the Audit and Risk Committee that we would report to them any audit differences in excess of $3.6 million, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The scope of our audit was determined by obtaining an understanding of the Group and its environment, including group-wide controls and assessing the risk of material misstatement.

Our Group audit scope focused primarily in two locations (US and UK) with four components subject to full scope audit. In addition, we performed specified audit procedures on account balances in four components and substantive analytical procedures on account balances in four components to support our opinion on the consolidated financial statements.

In scope components as described above account for 80% of Group's total assets and 80% of Group's revenue.

The components were selected to provide an appropriate basis of undertaking audit work to address the risks of material misstatements including those identified above. Our audits of each of the components was performed using materiality lower than the Group materiality based on their size relative to the Group and ranged from $29 million to $55 million.

The Group engagement team activities comprised audit work in areas such as the consolidation, review of the overall financial statements and disclosures, taxes, overall IT controls work and other areas such as discretionary compensation awards. The Component teams carried out work in relation to the transactions and balances of the underlying businesses. The Group engagement team had oversight of the work performed by the Component teams, reviewed their work and discussed any issues throughout the year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 70, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Descriptionofauditorsresponsiblitiesforaudit.pdf. This description forms part of our auditor's report.

Use of our report

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion, the accounting records of the Group were sufficient to permit the financial statements to be readily and properly audited and the Group statement of its financial position in agreement with the accounting records.
- In our opinion, the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Companies Act 2014 are not made.

Other matter

We have reported separately on the Parent Company financial statements of Willis Towers Watson Public Limited Company for the financial year ended December 31, 2017.

Andrew Downes
For and on behalf of Deloitte LLP
Statutory Audit Firm
London, United Kingdom

3 April 2018

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2017	2016	2015
		Years ended December 31, (millions, except per share data)		
REVENUES				
Commissions and fees		$ 8,116	$ 7,778	$ 3,809
Interest and other income		86	109	20
Total revenues	4	8,202	7,887	3,829
EXPENSES				
Salaries and benefits	16	4,745	4,646	2,303
Other operating expenses (ii)		1,534	1,501	768
Depreciation	8	203	178	95
Amortization	7	581	591	76
Restructuring costs	5	132	193	126
Transaction and integration expenses		269	177	84
Total expenses		7,464	7,286	3,452
OPERATING INCOME		738	601	377
Other expense/(income), net	18	61	27	(55)
Interest expense	10	188	184	142
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND INTEREST IN EARNINGS OF ASSOCIATES (iii)		489	390	290
(Benefit from)/provision for income taxes (ii)	6	(100)	(76)	(53)
INCOME FROM CONTINUING OPERATIONS BEFORE INTEREST IN EARNINGS OF ASSOCIATES		589	466	343
Interest in earnings of associates, net of tax		3	2	11
NET INCOME		592	468	354
Less: net income attributable to minority interests		(24)	(18)	(11)
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON		$ 568	$ 450	$ 343
EARNINGS PER SHARE (i)	22			
Basic earnings per share (ii)		$ 4.21	$ 3.28	$ 5.04
Diluted earnings per share (ii)		$ 4.18	$ 3.26	$ 4.97
CASH DIVIDENDS DECLARED PER SHARE (i)		$ 2.12	$ 1.92	$ 3.28

(i) Basic and diluted earnings per share and cash dividends declared per share, for the year ended December 31, 2015 have been retroactively adjusted to reflect the reverse stock split on January 4, 2016. See Note 3 to these Consolidated Financial Statements for further details.

(ii) Other operating expenses for 2015 was adjusted by $50 million to reflect a settlement in principle the Company entered into on March 31, 2016 relating to Stanford Financial Group litigation. As a consequence, the income tax benefit for 2015 was increased by $20 million and basic earnings per share and diluted earnings per share for 2015 was decreased. Further details on this settlement in principle are given in Note 14 to these Consolidated Financial Statements. This increase in the litigation provision was recognized in Annual Form 10-K for the following year, 2016.

(iii) Income from continuing operations before income taxes and interest in earnings of associates relates to ordinary activities.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	Years ended December 31, 2017	2016	2015
			(millions)	
NET INCOME		$ 592	$ 468	$ 354
Other comprehensive income/(loss), net of tax:				
Foreign currency translation	19	$ 295	(353)	(133)
Defined pension and post-retirement benefits	19	14	(439)	180
Derivative instruments	19	75	(75)	(28)
Other comprehensive income/(loss), net of tax, before minority interests		384	(867)	19
Comprehensive income/(loss) before minority interests		976	(399)	373
Less: Comprehensive (income)/loss attributable to minority interests		(37)	2	(1)
Comprehensive income/(loss) attributable to Willis Towers Watson		$ 939	$ (397)	$ 372

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

	Note	December 31, 2017	December 31, 2016
		(millions, except share data)	
ASSETS			
FIXED ASSETS			
Intangible assets			
Goodwill	7	$ 10,519	$ 10,413
Other intangible assets, net	7	3,882	4,368
Tangible assets			
Fixed assets, net	8	985	839
Financial assets			
Investments in associates		31	24
Pension benefits assets	12	764	488
Deferred tax assets	6	46	50
Other non-current assets	15	370	279
Total fixed assets		16,597	16,461
CURRENT ASSETS			
Accounts receivable, net	15	2,246	2,080
Fiduciary assets		12,155	10,505
Other current assets	15	430	337
Cash and cash equivalents		1,030	870
Total current assets		15,861	13,792
TOTAL ASSETS		$ 32,458	$ 30,253
LIABILITIES, CAPITAL AND RESERVES			
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Short-term debt and current portion of long-term debt	10	$ 85	$ 508
Fiduciary liabilities		12,155	10,505
Deferred revenue		537	455
Accrued expenses		1,174	1,026
Income taxes payable	6	43	45
Other current liabilities	15	761	831
Total creditors: amounts falling due within one year		14,755	13,370
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Long-term debt	10	4,450	3,357
Retirement benefit obligations	12	1,259	1,321
Deferred tax liabilities	6	615	864
Other non-current liabilities	15	544	532
Total creditors: amounts falling due after more than one year		6,868	6,074
PROVISIONS FOR LIABILITIES	13	558	575
Total liabilities		22,181	20,019

(Continued on next page)

CONSOLIDATED BALANCE SHEET (Continued)

	Note	December 31, 2017	December 31, 2016
		(millions, except share data)	
COMMITMENTS AND CONTINGENCIES	14	—	—
REDEEMABLE MINORITY INTEREST (i)		28	51
CAPITAL AND RESERVES			
Ordinary shares, $0.000304635 nominal value; Authorized: 1,510,003,775; Issued: 132,139,581 shares in 2017 and 137,075,068 shares in 2016		—	—
Ordinary shares, €1 nominal value; Authorized: 40,000; Issued: 40,000 shares in 2017 and 2016		—	—
Preference shares, $0.000115 nominal value; Authorized: 1,000,000,000; Issued: none in 2017 and 2016		—	—
Share premium (ii)		9,375	9,313
Profit and loss account		924	1,353
Other reserves (ii)		1,340	1,283
Accumulated other comprehensive loss, net of tax	19	(1,513)	(1,884)
Total Willis Towers Watson shareholders' equity		10,126	10,065
Minority interests		123	118
Total equity		10,249	10,183
TOTAL LIABILITIES, CAPITAL AND RESERVES		$ 32,458	$ 30,253

(i) The redeemable minority interest has been presented in accordance with US GAAP.

(ii) The prior year has been recast to move the premium on the shares issued on the Merger from Other reserves to Share premium. The provisions of Section 72 of the Companies Act 2014 were not applicable for the Merger and consequently the premium credited has been reclassified accordingly.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on April 3, 2018 and signed on behalf of the Directors:

/s/ Victor F. Ganzi
Director

/s/ Wendy E. Lane
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Years ended December 31, 2017	2016	2015
			(millions)	
CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME [(i)]		$ 592	$ 468	$ 354
Adjustments to reconcile net income to total net cash from operating activities:				
Depreciation	8	252	178	95
Amortization	7	581	591	76
Net periodic benefit of defined benefit pension plans		(91)	(93)	(78)
Provision for doubtful receivables from clients	15	17	36	5
Benefit from deferred income taxes [(i)]	6	(285)	(224)	(119)
Share-based compensation	21	67	123	64
Non-cash foreign exchange loss/(gain)		77	(28)	73
Net gain on disposal of operations and fixed and intangible assets and gain on re-measurement of equity interests		(13)	—	(90)
Other, net		(57)	27	(8)
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:				
Accounts receivable		(64)	(101)	(155)
Fiduciary assets		(1,167)	(249)	(508)
Fiduciary liabilities		1,167	249	508
Other assets		(128)	(233)	(5)
Other liabilities		(51)	174	(61)
Provisions [(i)]		(35)	15	93
Net cash from operating activities		862	933	244
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES				
Additions to fixed assets and software for internal use		(300)	(218)	(146)
Capitalized software costs		(75)	(85)	—
Acquisitions of operations, net of cash acquired		(13)	476	(857)
Net disposals of operations		57	(1)	44
Other, net		(4)	23	16
Net cash (used in)/from investing activities		(335)	195	(943)

(Continued on next page)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Note	2017	2016	2015
		Years ended December 31, (millions)		
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES				
Net borrowings/(payments) on revolving credit facility		642	(237)	469
Senior notes issued		649	1,606	—
Proceeds from issuance of other debt		32	404	592
Debt issuance costs		(9)	(14)	(5)
Repayments of debt		(734)	(1,901)	(166)
Repurchase of shares		(532)	(396)	(82)
Proceeds from issuance of shares		61	63	131
Payments for share cancellation related to legal settlement		(177)	—	—
Payments of deferred and contingent consideration related to acquisitions		(65)	(67)	—
Cash paid for employee taxes on withholding shares		(18)	(13)	(1)
Dividends paid		(277)	(199)	(277)
Acquisitions of and dividends paid to minority interests		(51)	(21)	(21)
Net cash (used in)/from financing activities		(479)	(775)	640
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		48	353	(59)
Effect of exchange rate changes on cash and cash equivalents		112	(15)	(44)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		870	532	635
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 1,030	$ 870	$ 532

(i) The movement on provisions for 2015 has been adjusted by $50 million to reflect a settlement in principle the Company entered into on March 31, 2016 relating to Stanford Financial Group litigation. As a consequence, net income for 2015 has been decreased for the post-tax effect of $30 million and the movement in the provision for deferred income taxes for 2015 has been increased by the tax effect of $20 million. Further details on this settlement in principle are given in Note 14 to these Consolidated Financial Statements. This increase in the litigation provision was recognized in Annual Form 10-K for the following year, 2016.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares outstanding (i)	Share premium (v)	Profit and loss account	Other reserves (v)	AOCL (ii)	Total WTW shareholders' equity	Minority interests	Total equity	Redeemable minority interest (iii)	Total
	(thousands)					(millions)				
Balance at January 1, 2015	67,460	$ 440	$ 1,527	$ 1,084	$ (1,066)	$ 1,985	$ 22	$ 2,007	$ 59	
Shares repurchased	(646)	—	(82)	—	—	(82)	—	(82)	—	
Net income (iv)	—	—	343	—	—	343	8	351	3	$ 354
Dividends	—	—	(224)	—	—	(224)	(11)	(235)	(5)	
Other comprehensive income/(loss)	—	—	—	—	29	29	(6)	23	(4)	$ 19
Issue of shares under employee stock compensation plans	1,811	124	—	—	—	124	—	124	—	
Tax benefits on issue of shares under employee share compensation plans	—	—	—	4	—	4	—	4	—	
Share-based compensation	—	—	—	64	—	64	—	64	—	
Additional minority interests	—	—	—	(53)	—	(53)	118	65	—	
Foreign currency translation	—	—	—	9	—	9	—	9	—	
Balance at December 31, 2015	68,625	$ 564	$ 1,564	$ 1,108	$ (1,037)	$ 2,199	$ 131	$ 2,330	$ 53	
Shares repurchased	(3,170)	—	(396)	—	—	(396)	—	(396)	—	
Net income (iv)	—	—	450	—	—	450	11	461	7	$ 468
Dividends	—	—	(265)	—	—	(265)	(9)	(274)	(5)	
Other comprehensive (loss)/income	—	—	—	—	(847)	(847)	(16)	(863)	(4)	$ (867)
Issue of shares under employee stock compensation plans	1,342	63	—	—	—	63	—	63	—	
Tax benefits on issue of shares under employee share compensation plans	—	—	—	3	—	3	—	3	—	
Issue of shares for acquisitions (v)	69,500	8,686	—	—	—	8,686	—	8,686	—	
Replacement share-based compensation awards issued on acquisition	—	—	—	37	—	37	—	37	—	
Share-based compensation	—	—	—	123	—	123	—	123	—	
Additional minority interests	—	—	—	7	—	7	1	8	—	
Foreign currency translation	—	—	—	5	—	5	—	5	—	
Balance at December 31, 2016	136,297	$ 9,313	$ 1,353	$ 1,283	$ (1,884)	$ 10,065	$ 118	$10,183	$ 51	
Adoption of ASU 2016-16 (See Note 2 to these Consolidated Financial Statements)	—	—	(3)	—	—	(3)	—	(3)	—	
Shares repurchased	(3,797)	—	(532)	—	—	(532)	—	(532)	—	
Shares canceled (vi)	(1,415)	—	(177)	—	—	(177)	—	(177)	—	
Net income	—	—	568	—	—	568	16	584	8	$ 592
Dividends	—	—	(285)	—	—	(285)	(15)	(300)	(3)	
Other comprehensive income	—	—	—	—	371	371	7	378	6	$ 384
Issue of shares under employee stock compensation plans	1,055	62	—	—	—	62	—	62	—	
Share-based compensation	—	—	—	67	—	67	—	67	—	
Acquisition of minority interests	—	—	—	—	—	—	(3)	(3)	(34)	
Foreign currency translation	—	—	—	(10)	—	(10)	—	(10)	—	
Balance at December 31, 2017	132,140	$ 9,375	$ 924	$ 1,340	$ (1,513)	$ 10,126	$ 123	$10,249	$ 28	

(i) The nominal value of the ordinary shares and the number of ordinary shares issued in the year ended December 31, 2015 have been retroactively adjusted to reflect the reverse stock split on January 4, 2016. See Note 3 to these Consolidated Financial Statements for further details.

(ii) Additional other comprehensive loss, net of tax ('AOCL').

(iii) The minority interest is related to Max Matthiessen Holding AB.

(iv) Net income for 2015 has been decreased by $30 million to reflect the post-tax effect of a settlement in principle the Company entered into on March 31, 2016 relating to Stanford Financial Group litigation. Further details on this settlement in principle are given in Note 14 to these Consolidated Financial Statements. This increase in the litigation provision was recognised in Annual Form 10-K for the following year, 2016.

(v) 2016 has been recast to move the premium on the shares issued on the Merger from Other reserves to Share premium. The provisions of Section 72 of the Companies Act 2014 were not applicable for the Merger and consequently the premium credited has been reclassified accordingly.

(vi) As described in Note 14 to these Consolidated Financial Statements, 1,415,199 shares were surrendered by shareholders in 2017 following Merger-related appraisal demands.

The accompanying notes are an integral part of these Consolidated Financial Statements.

(Tabular amounts are in millions of U.S. dollars, except per share data and employee numbers)

1. NATURE OF OPERATIONS

Willis Towers Watson plc is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. Willis Towers Watson has more than 43,000 employees and services clients in more than 140 countries and territories. 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. We believe our broad perspective allows us to see the critical intersections between talent, assets and ideas - the dynamic formula that drives business performance.

We offer our clients a broad range of services to help them identify and control their risks, and to enhance business performance by improving their ability to attract, retain and engage a talented workforce. Our risk control services range from strategic risk consulting (including providing actuarial analysis), to a variety of due diligence services, to the provision of practical on-site risk control services (such as health and safety or property loss control consulting), as well as analytical and advisory services (such as hazard modeling and reinsurance optimization studies). We assist clients in planning how to manage incidents or crises when they occur. These services include contingency planning, security audits and product tampering plans. We help our clients enhance their business performance by delivering consulting services, technology and solutions that help them anticipate, identify and capitalize on emerging opportunities in human capital management as well as investment advice to help our clients develop disciplined and efficient strategies to meet their investment goals.

As an insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, helping them determine the best means of managing risk and negotiating and placing insurance with insurance carriers through our global distribution network. We operate the largest private Medicare exchange in the United States (‘U.S.’). Through this exchange and those for active employees, we help our clients move to a more sustainable economic model by capping and controlling the costs associated with healthcare benefits.

We are not an insurance company, and therefore we do not underwrite insurable risks for our own account.

The Merger with Towers Watson that closed on January 4, 2016 affects the comparability between 2015 and the later periods presented. See Note 3 to these Consolidated Financial Statements for additional information.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Basis of Presentation

The Directors have elected to prepare the consolidated financial statements of Willis Towers Watson in accordance with Section 279 of the Companies Act 2014 of the Republic of Ireland, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (‘US GAAP’), to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

The preparation of these financial statements under US GAAP includes primary statement formats, captions and terminology throughout that both complies with US GAAP and is familiar to users of such accounts filed by the Company in the United States.

Such disclosure formats, captions and terminology may not always comply specifically with the requirements of Irish Company Law. The Company has departed from the format requirements in Irish Company Law as explained below, to continue its disclosure under US formats. There are various instances of this occurring, including, but not limited to:

- the Company’s consolidated profit and loss account does not strictly conform to the formats prescribed under Irish Company Law. However, the Company believes that the consolidated profit and loss account as reported better reflects the business and activities of the Company; and
- the Company presents certain line items, such as Interest in earnings of associates, net of tax.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

True and fair view override

In special disclosure circumstances, where compliance with any of the provisions of the Companies Act 2014 as to the matters to be included in a company's financial statements (or notes thereto) is inconsistent with the requirement to give a true and fair view of the state of affairs and profit or loss, the directors shall depart from that provision to the extent necessary to give a true and fair view. The Company is adopting a true and fair view override in relation to goodwill - see the accounting policy on goodwill below.

Balance Sheet Presentation

The Company is required to file consolidated financial statements with the Irish Companies Registration Office. These consolidated financial statements are prepared under US GAAP but incorporate additional Companies Act 2014 requirements.

Significant Accounting Policies

Reclassifications — Certain reclassifications have been made to prior period amounts to conform to the current year presentation. The Consolidated Statement of Changes in Equity and Consolidated Balance Sheet have been recast for 2016 to move the premium on the shares issued on the Merger from Other reserves to Share premium. The provisions of Section 72 of the Companies Act 2014 were not applicable for the Merger and consequently the premium credited has been reclassified accordingly.

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Willis Towers Watson and those of our majority-owned and controlled subsidiaries. Intercompany accounts and transactions have been eliminated.

We determine whether we have a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ('VIE'). Variable interest entities are entities that lack one or more of the characteristics of a voting interest entity and therefore require a different approach in determining which party involved with the VIE should consolidate the entity. With a VIE, either the entity does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, or the equity holders, as a group, do not have the power to direct the activities that most significantly impact its financial performance, the obligation to absorb expected losses of the entity, or the right to receive the expected residual returns of the entity. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE.

Voting interest entities are entities that have sufficient equity and provide equity investors voting rights that give them the power to make significant decisions related to the entity's operations. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. Accordingly, we consolidate our voting interest entity investments in which we hold, directly or indirectly, more than 50% of the voting rights.

Use of Estimates — These consolidated financial statements conform to accounting principles generally accepted in the United States of America ('U.S. GAAP'), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Estimates are used when accounting for revenue recognition, the selection of useful lives of fixed and intangible assets, impairment testing, valuation of billed and unbilled receivables from clients, discretionary compensation, income taxes, pension assumptions, incurred but not reported claims, legal reserves and goodwill and intangible assets.

Going Concern — Management evaluates at each annual and interim period whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. Management's evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the consolidated financial statements are issued. Management has concluded that there are no conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date of these financial statements.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Fair Value of Financial Instruments — The carrying values of our cash and cash equivalents, accounts receivable, accrued expenses, revolving lines of credit and term loans approximate their fair values because of the short maturity and liquidity of those instruments. We consider the difference between carrying value and fair value to be immaterial for our senior notes. The fair value of our senior notes are considered Level 2 financial instruments as they are corroborated by observable market data. See Note 11 to these Consolidated Financial Statements for additional information about our measurements of fair value.

Investments in Associates — Investments are accounted for using the equity method of accounting, included within other non-current assets in the consolidated balance sheet, if the Company has the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an equity ownership in the voting stock of the investee between 20 and 50 percent, although other factors, such as representation on the board of directors and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment is carried at the cost of acquisition, plus the Company's equity in undistributed net income since acquisition, less any dividends received since acquisition.

The Company periodically reviews its investments in associates for which fair value is less than cost to determine if the decline in value is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the investment is written down to fair value. The amount of any write-down is included in the consolidated profit and loss account.

Common Shares Split — On January 4, 2016, the Company effected a 1 to 2.6490 reverse share split to shareholders of record as of January 4, 2016. All share and per share information has been retroactively adjusted to reflect the reverse share split and show the new number of shares. See Note 3 to these Consolidated Financial Statements for additional information about our Merger and reverse share split.

Cash and Cash Equivalents — Cash and cash equivalents primarily consist of time deposits with original maturities of 90 days or less. Willis Limited, our U.K. brokerage subsidiary regulated by the Financial Conduct Authority, is currently required to maintain $140 million in unencumbered and available financial resources, of which at least $79 million must be in cash, for regulatory purposes. Term deposits and certificates of deposits with original maturities greater than 90 days are considered to be short-term investments. There is no restricted cash included in our cash and cash equivalents balance, as these amounts are included in fiduciary assets.

Fiduciary Assets and Liabilities — Fiduciary funds represent unremitted premiums received from insureds and unremitted claims or refunds received from insurers. Fiduciary funds are generally required to be kept in certain regulated bank accounts subject to guidelines which emphasize capital preservation and liquidity. Such funds are not available to service the Company's debt or for other corporate purposes. Notwithstanding the legal relationships with insureds and insurers, the Company is entitled to retain investment income earned on fiduciary funds in accordance with industry custom and practice and, in some cases, as supported by agreements with insureds. The period for which the Company holds such funds is dependent upon the date the insured remits the payment of the premium to the Company, or the date the Company receives refunds from the insurers, and the date the Company is required to forward such payment to the insurer, or insured, respectively. In certain instances, the Company advances premiums, refunds or claims to insurance underwriters or insureds prior to collection. Such advances are made from fiduciary funds and are reflected in the consolidated balance sheet as fiduciary assets. Fiduciary liabilities represent the obligations to remit fiduciary funds and fiduciary receivables to insurers or insureds. Certain of our health and welfare benefits administration outsourcing agreements require us to hold funds on behalf of clients to pay obligations on their behalf. These amounts are included in fiduciary assets and fiduciary liabilities on the consolidated balance sheet.

Accounts Receivable — Accounts receivable includes both billed and unbilled receivables and is stated at estimated net realizable values. Provision for billed receivables is recorded, when necessary, in an amount considered by management to be sufficient to meet probable future losses related to uncollectible accounts. Accrued and unbilled receivables are stated at net realizable value which includes an allowance for accrued and unbillable amounts. See Note 15 to these Consolidated Financial Statements for additional information about our accounts receivable.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Income Taxes — The Company recognizes deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and capital loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the consolidated profit and loss account in the period in which the change is enacted. Deferred tax assets are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized. The Company adjusts valuation allowances to measure deferred tax assets at the amounts considered realizable in future periods if the Company's facts and assumptions change. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and the results of recent financial operations. We place more reliance on evidence that is objectively verifiable.

Positions taken in the Company's tax returns may be subject to challenge by the taxing authorities upon examination. The Company recognizes the benefit of uncertain tax positions in the financial statements when it is more likely than not that the position will be sustained on the basis of the technical merits of the position assuming the tax authorities have full knowledge of the position and all relevant facts. Recognition also occurs upon either the lapse of the relevant statute of limitations, or when positions are effectively settled. The benefit recognized is the largest amount of tax benefit that is greater than 50 percent likely to be realized on settlement with the tax authority. The Company adjusts its recognition of uncertain tax benefits in the period in which new information is available impacting either the recognition or measurement of its uncertain tax positions. Such adjustments are reflected as increases or decreases to income taxes in the period in which they are determined.

The Company recognizes interest and penalties relating to unrecognized tax benefits within income taxes. See Note 6 to these Consolidated Financial Statements for additional information regarding the Company's income taxes.

Foreign Currency — Transactions in currencies other than the functional currency of the entity are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported as income or expense in the consolidated profit and loss account. Certain intercompany loans are determined to be of a long-term investment nature. The Company records transaction gains and losses from re-measuring such loans as other comprehensive income in the consolidated statement of total comprehensive income.

Upon consolidation, the results of operations of subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the average exchange rates and assets and liabilities are translated at year-end exchange rates. Translation adjustments are presented as a separate component of other comprehensive income in the financial statements and are included in net income only upon sale or liquidation of the underlying foreign subsidiary or associated company.

Derivatives — The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps have been used to manage interest risk exposures. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income and expenses. The fair values of derivative contracts are recorded in other assets and other liabilities. The effective portions of changes in the fair value of derivatives that qualify for hedge accounting as cash flow hedges are recorded in other comprehensive income. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. If the derivative is designated and qualifies as an effective fair value hedge, the changes in the fair value of the derivative and of the hedged item associated with the hedged risk are both recognized in earnings. The amount of hedge ineffectiveness recognized in earnings is based on the extent to which an offset between the fair value of the derivative and hedged item is not achieved. Changes in fair value of derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness on those that do qualify, are recorded in other operating expenses or interest expense as appropriate.

The Company evaluates whether its contracts include clauses or conditions which would be required to be separately accounted for at fair value as embedded derivatives. See Note 9 to these Consolidated Financial Statements for additional information about the Company's derivatives.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Commitments, Contingencies and Provisions for Liabilities — The Company establishes provisions against various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in the ordinary course of business. Such provisions cover claims that have been reported but not paid and also unasserted claims and related legal fees. These provisions are established based on actuarial estimates together with individual case reviews and are believed to be adequate in light of current information and legal advice. In certain cases, where a range of loss exists, we accrue the minimum amount in the range if no amount within the range is a better estimate than any other amount. To the extent such losses can be recovered under the Company's insurance programs, estimated recoveries are recorded when losses for insured events are recognized and the recoveries are likely to be realized. Significant management judgment is required to estimate the amounts of such unasserted claims and the related insurance recoveries. The Company analyzes its litigation exposure based on available information, including consultation with outside counsel handling the defense of these matters, to assess its potential liability. These contingent liabilities are not discounted. See Notes 14 and 13 to these Consolidated Financial Statements for additional information about our commitments, contingencies and provisions for liabilities.

Share-Based Compensation — The Company has equity-based compensation plans that provide for grants of restricted stock units and stock options to employees and non-employee directors of the Company.

The Company expenses equity-based compensation, which is included in Salaries and benefits in the consolidated profit and loss account, primarily on a straight-line basis over the requisite service period. The significant assumptions underlying our expense calculations include the fair value of the award on the date of grant, the estimated achievement of any performance targets and estimated forfeiture rates. The awards under equity-based compensation are classified as equity and included as a component of equity on the Company's consolidated balance sheet, as the ultimate payment of such awards will not be achieved through use of the Company's cash or other assets. See Note 21 to these Consolidated Financial Statements for additional information about the Company's share-based compensation.

Fixed Assets — Fixed assets are stated at cost less accumulated depreciation. Expenditures for improvements are capitalized; repairs and maintenance are charged to expense as incurred. Depreciation is computed primarily using the straight-line method based on the estimated useful lives of assets.

Depreciation on internally developed software is amortized over the estimated useful life of the asset ranging from 3 to 10 years. Buildings include assets held under capital leases and are depreciated over the lesser of 50 years, the asset lives or the lease terms. Depreciation on leasehold improvements is calculated over the lesser of the useful lives of the assets or the remaining lease terms. Depreciation on furniture and equipment is calculated based on a range of 3 to 10 years. Land is not depreciated.

Long-lived assets are tested for recoverability whenever events or changes in circumstance indicate that their carrying amounts may not be recoverable. An impairment loss is recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. Recoverability is determined based on the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. See Note 8 to these Consolidated Financial Statements for additional information about our fixed assets.

Operating Leases —Rentals payable on operating leases are charged on a straight-line basis to Other operating expenses in the consolidated profit and loss account over the lease term. See Note 14 to these Consolidated Financial Statements for additional information about our operating leases.

Goodwill and Other Intangible Assets — In applying the acquisition method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Irish Law requires the amortization of goodwill. However, the Company believes the amortization of goodwill would not give a true and fair view because:

- not all goodwill declines in value; and
- goodwill that does decline in value rarely does so on a straight-line basis.

Consequently, straight-line amortization of goodwill over an arbitrary period does not reflect economic reality and thus does not provide useful information to financial statement users. Furthermore, under both US and International generally accepted accounting principles, goodwill is considered an indefinite lived asset and not amortized. The Company is therefore invoking the 'true and fair view override' described above.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Consequently, the Company does not amortize goodwill but tests it for impairment annually as of October 1, and whenever indicators of impairment exist. Goodwill is tested for impairment annually as of October 1, and whenever indicators of impairment exist. Goodwill is tested at the reporting unit level, and the Company had nine reporting units as of October 1, 2017. In the first step of the impairment test, the fair value of each reporting unit is compared with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds its fair value, the amount of an impairment loss, if any, is calculated in the second step of the impairment test by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The Company's goodwill impairment tests for the years ended December 31, 2017 and 2016 have not resulted in any impairment charges. See Note 7 to these Consolidated Financial Statements for additional information about our goodwill and other intangible assets.

Intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment annually as of October 1, and whenever indicators of impairment exist. The fair values of intangible assets are compared with their carrying values, and an impairment loss would be recognized for the amount by which a carrying amount exceeds its fair value.

Acquired intangible assets are amortized over the following periods:

	Amortization basis	**Expected life (years)**
Client relationships	In line with underlying cash flows	5 to 20
Software	In line with underlying cash flows or straight-line basis	4 to 7
Product	In line with underlying cash flows	17.5
Trademark and trade name	Straight-line basis	14 to 25
Favorable agreements	Straight-line basis	7
Management contracts	Straight-line basis	18

Pensions — The Company has multiple defined benefit pension and defined contribution plans. The net periodic cost of the Company's defined benefit plans are measured on an actuarial basis using various methods and actuarial assumptions. The most significant assumptions are the discount rates (calculated from the 2016 financial year and forward using the granular approach to calculating service and interest cost) and the expected long-term rates of return on plan assets. Other material assumptions include rates of participant mortality, the expected long-term rates of compensation and pension increases and rates of employee termination. Gains and losses occur when actual experience differs from actuarial assumptions. If such gains or losses exceed ten percent of the greater of plan assets or plan liabilities, the Company amortizes those gains or losses over the average remaining service period or average remaining life expectancy, as appropriate, of the plan participants. In accordance with U.S. GAAP, the Company records on its consolidated balance sheet the funded status of its pension plans based on the projected benefit obligation.

Contributions to the Company's defined contribution plans are recognized as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either other assets or other liabilities in the consolidated balance sheet. See Note 12 to these Consolidated Financial Statements for additional information about our pensions.

Revenue Recognition — Revenues include insurance commissions, fees in lieu of commission, fees for consulting services rendered, hosted and delivered software, survey sales, interest and other income.

Revenue recognized in excess of billings is recorded as unbilled accounts receivable. Cash collections in excess of revenue recognized are recorded as deferred revenue until the revenue recognition criteria are met. Client reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included in revenue, and an equivalent amount of reimbursable expenses is included in other operating expenses as a cost of revenue. Taxes collected from customers and remitted to government authorities are recorded net and are excluded from revenue.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Commissions and fees

Commissions revenue. Brokerage commissions and fees negotiated in lieu of commissions are recognized at the later of the policy inception date or when the policy placement is complete. In situations in which our fees are not fixed and determinable due to the uncertainty of the commission fee per policy, we recognize revenue as the fees are determined. Commissions on additional premiums and adjustments are recognized when approved by or agreed between the parties and collectability is reasonably assured.

Consulting revenue. The majority of our consulting revenues consists of fees earned from providing consulting services. We recognize revenues from these consulting engagements when hours are worked, either on a time-and-expense basis or on a fixed-fee basis, depending on the terms and conditions defined at the inception of an engagement with a client. We have engagement letters with our clients that specify the terms and conditions upon which the engagements are based.

These terms and conditions can only be changed upon agreement by both parties. Individual billing rates are principally based on a multiple of salary and compensation costs.

Revenues for fixed-fee arrangements are based upon the proportional performance method to the extent estimates can be made of the remaining work required under the arrangement. If we do not have sufficient information to estimate proportional performance, we recognize the fees straight-line over the contract period. We typically have four types of fixed-fee arrangements: annual recurring projects, projects of a short duration, stand-ready obligations and non-recurring system projects.

- *Annual recurring projects* and *projects of short duration.* These projects are typically straightforward and highly predictable in nature. As a result, the project manager and financial staff are able to identify, as the project status is reviewed and bills are prepared monthly, the occasions when cost overruns could lead to the recording of a loss accrual.
- *Stand-ready obligations.* Where we are entitled to fees (whether fixed or variable based on assets under management or a per-participant per-month basis) regardless of the hours, we generally recognize this revenue on either a straight-line basis or as the variable fees are calculated.
- *Non-recurring system projects.* These projects are longer in duration and subject to more changes in scope as the project progresses. Certain software or outsourced administration contracts generally provide that if the client terminates a contract, we are entitled to an additional payment for services performed through termination designed to recover our up-front cost of implementation.

Revenue recognition for fixed-fee engagements is affected by a number of factors that change the estimated amount of work required to complete the project such as changes in scope, the staffing on the engagement and/or the level of client participation. The periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stage of project completion that, in turn, affect how we recognize revenue. We recognize a loss on an engagement when estimated revenues to be received for that engagement are less than the total estimated costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable.

Hosted software. We have developed various software programs and technologies that we provide to clients in connection with consulting services. In most instances, such software is hosted and maintained by us and ownership of the technology and rights to the related code remain with us. We defer costs for software developed to be utilized in providing services to a client, but for which the client does not have the contractual right to take possession, during the implementation stage. We recognize these deferred costs from the go live date, signaling the end of the implementation stage, until the end of the initial term of the contract with the client. We determined that the system implementation and customized ongoing administrative services are one combined service. Revenue is recognized over the service period, after the go live date, on a straight-line basis. As a result, we do not recognize revenue during the implementation phase of an engagement.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Delivered software. We deliver software under arrangements with clients who take possession of our software. The maintenance associated with the initial software fees is a fixed percentage which enables us to determine the stand-alone value of the delivered software separate from the maintenance. We recognize the initial software fees as software is delivered to the client, and we recognize the maintenance fees ratably over the contract period based on each element's relative fair value. For software arrangements in which initial fees are received in connection with mandatory maintenance for the initial software license to remain active, we determined that the initial maintenance period is substantive. Therefore, we recognize the fees for the initial license and maintenance bundle ratably over the initial contract term, which is generally one year. Each subsequent renewal fee is recognized ratably over the contractually stated renewal period.

Surveys. We collect, analyze and compile data in the form of surveys for our clients who have the option of participating in the survey. The surveys are published online via a web tool that provides simplistic functionality. We have determined that the web tool is inconsequential to the overall arrangement. We record the survey revenues when the results are delivered online and made available to our clients who have a contractual right to the data. If the data is updated more frequently than annually, we recognize the survey revenues ratably over the contractually stated period.

Interest and other income

Interest income. Interest income is recognized as earned.

Other Income. Other income includes gains on disposal of intangible assets, which primarily arise from settlements through enforcing non-compete agreements in the event of losing accounts through producer defection or the disposal of books of business.

Recent Accounting Pronouncements

Not yet adopted

In May 2014, the Financial Accounting Standards Board ('FASB') issued Accounting Standard Update ('ASU') No. 2014-09, *Revenue From Contracts With Customers*. The new standard supersedes most current revenue recognition guidance and eliminates most industry-specific guidance. The ASU is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. Additional ASUs have since been issued which provide further guidance, examples and technical corrections for the implementation of ASU No. 2014-09. All related guidance has been codified into, and is now known as, Accounting Standards Codification ('ASC') 606. The guidance was effective for the Company at the beginning of its 2018 financial year, with early adoption permitted.

As a result of analyzing our various revenue streams to determine the full impact this standard will have on our revenue recognition, cost deferral, systems and processes, the Company has determined the following:

- The Company has adopted the standard using the modified retrospective approach on January 1, 2018, and has applied the new standard only to contracts that are not completed as of the transition date.
- Certain revenue streams have accelerated revenue recognition timing. In particular, the revenue recognition for our Individual Marketplace (formerly Retiree & Access Exchanges) has moved from monthly ratable recognition over the policy period, to the recognition upon placement of the policy. Consequently, the Company will now recognize the majority of one calendar year of expected commissions during its fourth quarter of the preceding calendar year. Therefore, at the adoption date, we have reflected an adjustment to retained earnings for the portion of the revenue that would otherwise have been recognized during our 2018 calendar year since our earnings process was largely completed during the fourth quarter of 2017.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Additionally, the revenue recognition for proportional treaty broking commissions has moved from recognition upon the receipt of the monthly or quarterly statements, to the recognition of an estimate of expected commissions upon the policy effective date. Since the majority of revenue recognized historically based on these monthly or quarterly statements was received over a two-year period, we will reflect an adjustment to retained earnings at the adoption date for the portion of revenue that would otherwise have been recognized during our 2018 calendar year related to policies effective in 2017 or prior.

- Revenue recognition for certain other revenue streams has changed from recognizing revenue at a point in time to recognizing revenue over time. Specifically, certain arrangements in our Health and Benefits broking business will now be recognized evenly over the year to reflect the nature of the ongoing obligations to our customers as well as receipt of the monthly commissions. These contracts are monthly or annual in nature and are considered complete as of the transition date. Therefore, no retained earnings adjustment is required.

- Our accounting for deferred costs will change. First, for those portions of the business that previously deferred costs (related to system implementation activities), the length of time over which we amortize those costs will extend to a longer estimated contract term. For 2017 calendar year and prior, these costs were amortized over a typical period of 3-5 years in accordance with the initial stated terms of the customer agreements. Second, other types of arrangements with associated costs now meet the criteria for cost deferral under ASC 606. This guidance will now apply to our broking arrangements and certain consulting engagements. We have calculated a retained earnings adjustment to reflect this cumulative change for contracts not complete as of the transition date.

Although we are still finalizing the impact to retained earnings as of January 1, 2018, we expect the total range of adjustment, before the effect of taxes, to be an increase to retained earnings of $375 million to $475 million.

In preparation for the additional disclosure requirements that will be included in our quarterly and annual filings beginning with our calendar year 2018 first quarter filing, we have implemented additional tools and technologies to support our revenue recognition and data collection processes.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU becomes effective for the Company at the beginning of its 2019 calendar year, at which time the Company will adopt it, although early adoption is permitted. While the Company continues to assess the impact of the ASU to its consolidated financial statements, the majority of its leases are currently considered operating leases and will be capitalized as a lease asset on its balance sheet with a related lease liability for the obligated lease payments.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which amends guidance on presentation and classification of eight specific cash flow issues with the objective of reducing diversity in practice. The ASU became effective for the Company at the beginning of its 2018 calendar year, at which time the Company adopted it. Consistent with the transition guidance, the Company will reflect the new guidance as of the beginning of 2018 in our first quarter Form 10-Q. The Company is still assessing the impact of this ASU, but it believes the impact on its financial statements will be immaterial.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for the Company on January 1, 2020. The amendments in this ASU should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017, and the Company is still evaluating when to adopt this ASU. The Company does not expect an immediate impact to its consolidated financial statements upon adopting this ASU since the most recent Step 1 goodwill impairment test resulted in fair values in excess of carrying values for all reporting units at October 1, 2017.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires entities to (1) disaggregate the current service-cost component from the other components of net benefit cost (the 'other components') and present it in the income statement with other current compensation costs for related employees and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the ASU requires entities to disclose the income statement lines that contain the other components if they are not presented or included in appropriately described separate lines. The ASU became effective for the Company on January 1, 2018, at which time the Company adopted it, and will apply the standard retrospectively beginning in its 2018 first quarter Form 10-Q. The Company has determined that, while the classification of some components of net benefit cost will change within the accompanying consolidated statement of total comprehensive income, there is no material impact on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity should account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU became effective for the Company on January 1, 2018, at which time the Company adopted it, and should be applied prospectively to an award modified on or after the adoption date. There is no immediate impact to the accompanying consolidated financial statements, until such time as an award may be modified in 2018 or forward.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*, which provides amendments under six specific objectives to better align risk management activities and financial reporting, and to simplify disclosure, presentation, hedging and the testing and measurement of ineffectiveness. The ASU becomes effective for the Company on January 1, 2019. Early adoption is permitted, and any adjustments should be reflected as of the beginning of the financial year that includes that interim period. The Company is currently assessing when it will adopt this standard, and the impact that this standard will have on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,* which allows for a reclassification from accumulated other comprehensive income to retained earnings for 'stranded' tax effects (those tax effects of items within accumulated other comprehensive income resulting from the historical corporate income tax rate reduction) resulting from the Tax Cuts and Jobs Act. The amendments within this ASU also require certain disclosures about stranded tax effects. The ASU becomes effective for the Company on January 1, 2019. Early adoption is permitted, and any adjustments should be reflected as of the beginning of the financial year that includes that interim period. The Company is currently assessing when it will adopt this standard, and the impact that this standard will have on its consolidated financial statements.

Adopted

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation*, which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The ASU became effective for the Company on January 1, 2017. In accordance with the prospective adoption of the recognition of excess tax benefits and deficiencies in the consolidated profit and loss account, we recognized a $7 million tax benefit in provision for income taxes during the year ended December 31, 2017. In addition, we elected to prospectively adopt the amendment to present excess tax benefits on share-based compensation as an operating activity, resulting in the recognition of a $7 million excess tax benefit as an operating activity in the consolidated statement of cash flows for the year ended December 31, 2017. We elected to continue to estimate expected forfeitures. We also retrospectively adopted the amendment to present cash payments to tax authorities in connection with shares withheld to meet statutory tax withholding requirements as a financing activity. As a result, these $13 million and $1 million uses of cash were reclassified from net cash from operating activities to net cash used in financing activities in the consolidated statement of cash flows for the years ended December 31, 2016, and December 31, 2015, respectively.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In October 2016, the FASB issued ASU No. 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*, which amends guidance regarding the recognition of current and deferred income taxes for intra-entity asset transfers. Current U.S. GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The ASU states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this ASU should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company elected to early adopt this standard on January 1, 2017, and recorded a cumulative reduction to retained earnings of $3 million.

3. MERGER, ACQUISITIONS AND DIVESTITURES

Merger

On January 4, 2016, pursuant to the Agreement and Plan of Merger, dated June 29, 2015, as amended on November 19, 2015, between Willis, Towers Watson, and Citadel Merger Sub, Inc., a wholly-owned subsidiary of Willis formed for the purpose of facilitating this transaction (‘Merger Sub’), Merger Sub merged with and into Towers Watson, with Towers Watson continuing as the surviving corporation and as a wholly-owned subsidiary of Willis.

Towers Watson was a leading global professional services firm operating throughout the world, dating back more than 100 years. The Merger allows the combined firm to go to market with complementary strategic product and services offerings.

At the effective time of the Merger (the ‘Effective Time’), each issued and outstanding share of Towers Watson common stock (the ‘Towers Watson shares’), was converted into the right to receive 2.6490 validly issued, fully paid and nonassessable ordinary shares of Willis (the ‘Willis ordinary shares’), $0.000115 nominal value per share, other than any Towers Watson shares owned by Towers Watson, Willis or Merger Sub at the Effective Time and the Towers Watson shares held by stockholders who are entitled to and who properly exercised dissenter’s rights under Delaware law.

Immediately following the Merger, Willis effected (i) a consolidation (i.e., a reverse stock split under Irish law) of Willis ordinary shares whereby every 2.6490 Willis ordinary shares were consolidated into one Willis ordinary share ($0.000304635 nominal value per share) and (ii) an amendment to its constitution and other organizational documents to change its name from Willis Group Holdings Public Limited Company to Willis Towers Watson Public Limited Company.

On December 29, 2015, the third business day immediately prior to the closing date of the Merger, Towers Watson declared and paid a pre-merger special dividend of $10.00 per share of its common stock, and approximately $694 million in the aggregate based on approximately 69 million Towers Watson shares issued and outstanding at December 29, 2015.

On December 30, 2015, all Towers Watson treasury stock was canceled.

The Merger was accounted for using the acquisition method of accounting, with Willis considered the accounting acquirer of Towers Watson.

The registered office of the Towers Watson holding undertaking, WTW Delaware Holdings LLC (formerly Towers Watson & Co.), is 160, Greentree Drive, Suite 101, Dover, Kent, DE 19904.

Willis Towers Watson plc (the ‘Parent Company’) is a public company limited by shares incorporated and registered in the Republic of Ireland. Its registered address is Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland and its registered number is 475616.

3. MERGER, ACQUISITIONS AND DIVESTITURES (continued)

The table below presents the final calculation of aggregate Merger consideration.

	January 4, 2016
Number of shares of Towers Watson common stock outstanding as of January 4, 2016	69 million
Exchange ratio	2.6490
Number of Willis Group Holdings shares issued (prior to reverse stock split)	184 million
Willis Group Holdings price per share on January 4, 2016	$ 47.18
Fair value of 184 million Willis ordinary shares	$ 8,686
Value of equity awards assumed	37
Aggregate Merger consideration	$ 8,723

A summary of the fair values of the identifiable assets acquired, and liabilities assumed, of Towers Watson at January 4, 2016 are summarized in the following table.

	January 4, 2016
Cash and cash equivalents	$ 476
Accounts receivable, net	825
Other current assets	82
Fixed assets, net	204
Goodwill	6,783
Intangible assets	3,991
Pension benefits assets	67
Other non-current assets	115
Deferred tax liabilities	(1,151)
Liability for pension benefits	(923)
Other current liabilities (i)	(667)
Other non-current liabilities (ii)	(331)
Long term debt, including current portion (iii)	(740)
Net assets acquired	8,731
Minority interests acquired	(8)
Allocated aggregate Merger consideration	$ 8,723

(i) Includes $348 million in accounts payable, accrued liabilities and deferred revenue, $308 million in employee-related liabilities and $11 million in other current liabilities.

(ii) Includes acquired contingent liabilities of $242 million. See Note 14 to these Consolidated Financial Statements for a discussion of our material acquired contingencies related to Legacy Towers Watson.

(iii) Represents both debt due upon change of control of $400 million borrowed under Towers Watson’s term loan ($188 million) and revolving credit facility ($212 million) and a draw down under a new term loan of $340 million. The $400 million debt was repaid by Willis’ borrowings under the 1-year term loan facility on January 4, 2016. The $340 million new term loan partially funded the $694 million Towers Watson pre-merger special dividend.

The purchase price allocation as of the date of acquisition was based on a valuation of the assets acquired and liabilities assumed in the acquisition. The purchase price allocation was complete as of December 31, 2016.

Goodwill was calculated as the difference between the aggregate Merger consideration and the acquisition date fair value of the net assets acquired, and represents the value of the Legacy Towers Watson assembled workforce and the future economic benefits that we expect to realize as a result of the Merger. None of the goodwill recognized on the transaction is tax deductible.

3. MERGER, ACQUISITIONS AND DIVESTITURES (continued)

The acquired intangible assets are attributable to the following categories:

	Valuation Methodology	Amortization Basis	Fair Value	Expected Life (Years)
Customer relationships	Multiple period excess earnings	In line with underlying cash flows	$ 2,221	15.0
Software - income approach	Multiple period excess earnings	In line with underlying cash flows or straight-line basis	567	6.4
Software - cost approach	Cost of reproduction	Straight-line basis	108	4.9
Product	Multiple period excess earnings	In line with underlying cash flows	42	17.5
IPR&D [(i)]	Multiple period excess earnings or cost of reproduction	n/a	39	n/a
Trade name	Relief from royalty	Straight-line basis	1,003	25.0
Favorable lease agreements	Market approach	Straight-line basis	11	6.5
			$ 3,991	

(i) Represents individual in-process research and development ('IPR&D') software components not placed into service as of the acquisition date. These assets were subsequently placed into service during the three months ended March 31, 2017, were reclassified into finite-lived software intangible assets, and are being amortized in line with underlying cash flows or on a straight-line basis.

The following pro forma financial information is unaudited and is intended to reflect the impact of the Merger on Willis Towers Watson's consolidated financial statements as if the Merger had taken place on January 1, 2015 and presents the results of operations of Willis Towers Watson based on the historical financial statements of Willis and Towers Watson after giving effect to the Merger and pro forma adjustments. Pro forma adjustments are included only to the extent they are (i) directly attributable to the Merger, (ii) factually supportable and (iii) with respect to the consolidated profit and loss account, expected to have a continuing impact on the combined results. The accompanying unaudited pro forma financial information is presented for illustrative purposes only and has not been adjusted to give effect to certain expected financial benefits of the Merger, such as revenue synergies, tax savings and cost synergies, or the anticipated costs to achieve these benefits, including the cost of integration activities. The unaudited pro forma results are not indicative of what would have occurred had the Merger taken place on the indicated date.

	Years ended December 31,	
	As reported	Pro Forma (Unaudited)
	2016	2015
Total revenues	$ 7,887	$ 7,492
Net income attributable to Willis Towers Watson	$ 450	$ 610
Diluted earnings per share	$ 3.26	$ 4.42

The above pro forma financial information for the year ended December 31, 2015 does not include pro forma adjustments for the Gras Savoye or other acquisitions as their revenues and results of operations were immaterial to the consolidated financial statements.

Revenues attributable to Towers Watson for the year ended December 31, 2016 were $3.6 billion. Net income attributable to Towers Watson for the year ended December 31, 2016 was $111 million.

Acquired Share-Based Compensation Plans

In connection with the Merger, we assumed certain stock options and restricted stock units ('RSUs') issued under the Towers Watson & Co. 2009 Long Term Incentive Plan ('LTIP'), the Liazon Corporation 2011 Equity Incentive Plan, and the Extend Health, Inc. 2007 Equity Incentive Plan.

3. MERGER, ACQUISITIONS AND DIVESTITURES (continued)

Stock Options. The outstanding unvested employee stock options were converted into 592,486 Willis Towers Watson stock options using the conversion ratios stated in the Merger agreement for the number of options. The fair value of the stock options was calculated using the Black-Scholes model with a volatility and risk-free interest rate over the expected term of each group of options and Willis Towers Watson's closing share price on the date of acquisition. We determined the fair value of the portion of the outstanding options related to pre-acquisition employee service using the straight-line expense methodology from the date of grant to the acquisition date to be $7 million, which was added to the transaction consideration. The fair value of the remaining portion of options related to the post-acquisition employee services was $13 million, and will be recognized over the future vesting periods.

Restricted Stock Units. The outstanding unvested RSUs were converted into 597,307 Willis Towers Watson RSUs using the conversion ratios as stated in the Merger agreement. The fair value of these RSUs was calculated using Willis Towers Watson's closing share price on the date of acquisition. We determined the fair value of the portion of the outstanding RSUs related to pre-acquisition employee service using the straight-line expense methodology from the date of grant to the acquisition date to be $30 million, which was added to the transaction consideration. The fair value of the remaining portion of RSUs related to the post-acquisition employee services was $32 million, and will be recognized over the future vesting periods.

Gras Savoye Acquisition

On December 29, 2015, Legacy Willis completed the transaction to acquire substantially all of the remaining 70% of the outstanding share capital of Gras Savoye, the leading insurance broker in France, for total consideration of €544 million ($592 million) of which $582 million in cash was paid at closing. Additionally, the previously held equity interest in Gras Savoye was re-measured to a fair value of €221 million ($241 million) giving a total fair value on a 100% basis of €765 million ($833 million).

The union combines the Company's global insurance broking footprint with Gras Savoye's particularly strong presence in France, Central and Eastern Europe, and across Africa. Gras Savoye's expertise in high-growth markets and industry sectors complements the Company's global strengths, creating value for clients.

The Company funded the cash consideration with a 1-year term loan. The term loan was repaid in its entirety on May 26, 2016, from the proceeds from the issuance of new senior notes discussed in Note 10 to these Consolidated Financial Statements.

Deferred consideration is payable on the first and second anniversary of the acquisition. In December 2017, the Company made final consideration payments of $3 million. The discounted fair value of the deferred consideration at December 31, 2016 was $4 million. None of the goodwill recognized on the transaction is tax deductible.

The registered office of the Gras Savoye holding undertaking, GS & Cie Groupe S.A.S., is Immeuble Quai 33, 33/34 Quai de Dion-Bouton, CS 70001, 92814 Puteaux Cedex, France.

3. MERGER, ACQUISITIONS AND DIVESTITURES (continued)

The following table presents the Company's allocation of the purchase price to the assets acquired and liabilities assumed based on their fair values:

	December 29, 2015
Cash and cash equivalents	$ 87
Fiduciary assets	625
Accounts receivable, net	89
Goodwill	584
Intangible assets	440
Other assets	56
Fiduciary liabilities	(625)
Deferred revenue and accrued expenses	(80)
Short and long-term debt	(80)
Net deferred tax liabilities	(87)
Other liabilities	(179)
Net assets acquired	830
Decrease in paid-in capital for purchase of minority interest	43
Minority interest acquired	(40)
Purchase price allocation	$ 833

The purchase price allocation as of the date of acquisition was based on a valuation and was subject to revision within the purchase price allocation period as more detailed analysis was completed and additional information about the value of assets acquired and liabilities assumed became available. During the year ended December 31, 2016, the assessment outlined above was updated to reflect the final estimates of the fair value of assets and liabilities acquired. The purchase price allocation is final.

The acquired intangible assets are attributable to the following categories:

	Valuation Methodology	Amortization Basis	Fair Value	Expected Life (Years)
Customer relationships	Multiple period excess earnings	In line with underlying cash flows	$ 339	20
Software and other intangibles	Cost of reproduction	Straight-line basis	66	5
Trade name	Relief from royalty	Straight-line basis	35	14
			$ 440	

Miller Insurance Services LLP Acquisition

On May 31, 2015, Legacy Willis completed the transaction to acquire an 85 percent interest in Miller, a leading London wholesale specialist insurance broking firm, for total consideration of $401 million, including cash consideration of $232 million.

Deferred consideration is payable at the first, second and third anniversaries of the acquisition. Contingent consideration is payable at the third anniversary of the acquisition and is contingent on meeting certain earnings before interest, taxes, depreciation and amortization ('EBITDA') performance targets. At December 31, 2017, the discounted fair values of the deferred consideration related to the third anniversary and contingent consideration were $38 million and $40 million, respectively. At December 31, 2016, the discounted fair values of the deferred consideration related to the second and third anniversaries and contingent consideration were $69 million and $26 million, respectively.

The Company recognized assets and liabilities acquired of $1.1 billion and $844 million, respectively. Included within the acquired assets are identifiable intangible assets of $231 million and goodwill of $184 million.

3. MERGER, ACQUISITIONS AND DIVESTITURES (continued)

The purchase price allocation as of the date of acquisition was based on a valuation of the assets acquired, liabilities assumed, and contingent consideration associated with the acquisition. There were no material revisions to the purchase price allocation during the year ended December 31, 2016, as the purchase price allocation is final.

The registered office of the Miller holding undertaking, Miller Insurance Services LLP, is 70 Mark Lane, London, EC3R 7NQ.

Divestitures

Related Party Transaction - In the third quarter of 2017, the Company divested its Global Wealth Solutions business through a sale to an employee of the business. As part of that transaction, we financed a $50 million note payable from the employee to purchase the business. The note amortizes over 10 years, bears interest at a weighted-average rate of 3% and is guaranteed by $3 million in assets. Following the sale, employees of this business are no longer employees of the Company, and the purchasing employee is no longer considered a related party. The current and non-current portions of the note receivable are included in the tables found in Note 15 to these Consolidated Financial Statements as Other current assets and Other non-current assets.

Cumulative Divestiture Impact - Including the divestiture of Global Wealth Solutions, we sold five businesses during the second half of 2017. For the year ended December, 31, 2017, the total gain recognized related to business disposals was $13 million, which was recorded in Other expense/(income), net on the accompanying consolidated profit and loss account. Results from these disposals prior to the sales represented $54 million of revenue and $13 million of operating income for the year ended December 31, 2017.

4. SEGMENT INFORMATION

Willis Towers Watson has four reportable operating segments or business areas:

- Human Capital and Benefits (‘HCB’)
- Corporate Risk and Broking (‘CRB’)
- Investment, Risk and Reinsurance (‘IRR’)
- Benefits Delivery and Administration (‘BDA’) - formerly known as Exchange Solutions [i]

(i) This segment and the businesses within the segment were renamed to better reflect the nature of the services we offer.

Willis Towers Watson’s chief operating decision maker is its chief executive officer. We determined that the operational data used by the chief operating decision maker is at the segment level. Management bases strategic goals and decisions on these segments and the data presented below is used to assess the adequacy of strategic decisions, the method of achieving these strategies and related financial results. Management evaluates the performance of its segments and allocates resources to them based on net operating income on a pre-bonus, pre-tax basis.

Beginning in 2017, we made certain changes that affect our segment results. These changes, which are detailed in the Form 8-K filed with the SEC on April 7, 2017, include the following:

- First, to better align our business within our segments, we moved Max Matthiessen, which specializes in pension investment advice, to Investment, Risk and Reinsurance from Human Capital and Benefits; and moved Fine Art, Jewellery and Specie, which is a specialty broker, to Corporate Risk and Broking from Investment, Risk and Reinsurance.
- Second, we recast operating income to better reflect the new segment reporting basis. As part of the further integration of our Willis Towers Watson businesses, we updated our corporate expense allocations to standardize our methodologies and allocate those expenses which are directly related to the business segment operations. Additionally, we revised the presentation of certain adjustments which arose from the purchase accounting for the Merger. Due to the long-term nature of these adjustments, which impact fixed assets and internally-developed software, we aligned the presentation within the respective segments and consolidated operating income, thereby eliminating a reconciling adjustment.

4. SEGMENT INFORMATION (continued)

The prior period comparatives reflected in the tables below have been retroactively adjusted to reflect our current segment presentation.

Under the segment structure and for internal and segment reporting, Willis Towers Watson segment revenues include commissions and fees, interest and other income. U.S. GAAP revenues include amounts that were directly incurred on behalf of our clients and reimbursed by them (reimbursable expenses), which are removed from segment revenues. Segment commissions and fees excludes interest and other income. Segment operating income excludes certain costs, including (i) amortization of intangibles; (ii) restructuring costs; (iii) certain transaction and integration expenses; (iv) certain litigation provisions; (v) significant pension settlement and curtailment gains or losses; and (vi) to the extent that the actual expense based upon which allocations are made differs from the forecast/budget amount, a reconciling item will be created between internally allocated expenses and the actual expense that we report for U.S. GAAP purposes.

During 2016, segment revenues and operating income both include revenue that was deferred by Towers Watson at the time of the Merger, and eliminated due to purchase accounting. The impact of the elimination from purchase accounting (which is the reduction to 2016 consolidated revenues and operating income) has been included in the reconciliation to our consolidated results in order to provide the actual revenues that the segments would have recognized on an unadjusted basis.

The Company experiences seasonal fluctuations of its commissions and fees revenue. Revenue is typically higher during the Company's first and fourth quarters due to the timing of broking-related activities.

The table below presents segment commissions and fees, segment interest and other income, segment revenues, and segment operating income for our reportable segments for the years ended December 31, 2017, 2016, and 2015.

	Years ended December 31,														
	HCB			CRB			IRR			BDA			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Segment commissions and fees	$3,163	$3,100	$ 583	$2,625	$2,519	$2,332	$1,505	$1,475	$ 895	$ 729	$ 652	$ —	$8,022	$7,746	$3,810
Segment interest and other income	29	17	1	23	28	17	30	59	1	—	2	—	82	106	19
Segment revenues	$3,192	$3,117	$ 584	$2,648	$2,547	$2,349	$1,535	$1,534	$ 896	$ 729	$ 654	$ —	$8,104	$7,852	$3,829
Segment operating income	$ 781	$ 728	$ 119	$ 488	$ 463	$ 457	$ 365	$ 383	$ 207	$ 152	$ 119	$ —	$1,786	$1,693	$ 783

4. SEGMENT INFORMATION (continued)

The table below presents a reconciliation of the information reported by segment to the consolidated amounts reported for the years ended December 31, 2017, 2016, and 2015, respectively:

	Years ended December 31,		
	2017	2016	2015
Revenues:			
Total segment revenues	$ 8,104	$ 7,852	$ 3,829
Fair value adjustment to deferred revenue	—	(58)	—
Reimbursable expenses and other	98	93	—
Total revenues	$ 8,202	$ 7,887	$ 3,829
Total segment operating income	$ 1,786	$ 1,693	$ 783
Fair value adjustment for deferred revenue	—	(58)	—
Amortization	(581)	(591)	(76)
Restructuring costs	(132)	(193)	(126)
Transaction and integration expenses (i)	(269)	(177)	(73)
Provision for Stanford and other significant litigation	(11)	—	(120)
Pension settlement and curtailment gains and losses	(36)	—	—
Unallocated, net (ii)	(19)	(73)	(11)
Income from operations	738	601	377
Interest expense	188	184	142
Other expense/(income), net	61	27	(55)
Income from operations before income taxes and interest in earnings of associates	$ 489	$ 390	$ 290

(i) Includes transaction and integration expenses related to the Merger and the acquisition of Gras Savoye.

(ii) Includes certain costs, primarily related to corporate functions which are not directly related to the segments, and certain differences between budgeted expenses determined at the beginning of the year and actual expenses that we report for U.S. GAAP purposes.

The Company does not currently provide asset information by reportable segment as it does not routinely evaluate the total asset position by segment.

None of the Company's customers represented a significant amount of the Company's consolidated commissions and fees for the years ended December 31, 2017, 2016 and 2015.

Below are our revenues and long-lived assets for Ireland, our country of domicile, countries with significant concentrations, and all other foreign countries for each of the years ended December 31, 2017, 2016 and 2015:

	Revenues			Long-Lived Assets (i)		
	2017	2016	2015	2017	2016	2015
Ireland	$ 107	$ 92	$ 64	$ 127	$ 114	$ 124
United States	3,821	3,395	1,597	9,988	11,400	1,759
United Kingdom	1,815	2,236	1,055	3,173	2,431	2,426
Rest of World	2,459	2,164	1,113	3,263	2,466	1,951
Total Foreign Countries	8,095	7,795	3,765	16,424	16,297	6,136
	$ 8,202	$ 7,887	$ 3,829	$ 16,551	$ 16,411	$ 6,260

(i) Long-Lived Assets do not include deferred tax assets.

5. RESTRUCTURING COSTS

The Company has two major elements of the restructuring costs included in its consolidated financial statements, which are the Operational Improvement Program, completed as of the end of 2017, and the Business Restructure Program, which was fully accrued and completed by the end of 2016.

Operational Improvement Program - In April 2014, Legacy Willis announced a multi-year operational improvement program designed to strengthen its client service capabilities and to deliver future cost savings. The main elements of the program, which were completed by the end of 2017, included: moving more than 3,500 support roles from higher cost locations to facilities in lower cost locations; net workforce reductions in support positions; lease consolidation in real estate; and information technology systems simplification and rationalization.

The Company recognized restructuring costs of $134 million, $145 million, and $126 million for the years ended December 31, 2017, 2016, and 2015, respectively, related to the Operational Improvement Program. The Company has spent a cumulative amount of $441 million on restructuring charges for this program.

Business Restructure Program - In the second quarter of 2016, we began planning targeted staffing reductions in certain portions of the business due to a reduction in business demand or change in business focus (hereinafter referred to as the Business Restructure Program). The main element of the program included workforce reductions, and was completed in 2016. During the year ended December 31, 2017, the Company recognized a $2 million reversal of expense related to an estimate of previously incurred termination benefits. The Company recognized restructuring costs of $48 million for the year ended December 31, 2016.

An analysis of total restructuring costs recognized in the consolidated profit and loss account, and the costs by segment, and costs attributable to corporate functions, for the years ended December 31, 2017, 2016 and 2015 are as follows:

	HCB	CRB	IRR	BDA	Corporate	Total
Year ended December 31, 2017						
Termination benefits	$ —	$ 25	$ 4	$ —	$ 17	$ 46
Professional services and other (i)	3	63	6	—	14	86
Total	$ 3	$ 88	$ 10	$ —	$ 31	$ 132
Year ended December 31, 2016						
Termination benefits	$ 33	$ 26	$ 6	$ 1	$ 2	$ 68
Professional services and other (i)	4	81	4	—	36	125
Total	$ 37	$ 107	$ 10	$ 1	$ 38	$ 193
Year ended December 31, 2015						
Termination benefits	$ 2	$ 24	$ 7	$ —	$ 3	$ 36
Professional services and other (i)	1	57	2	—	30	90
Total	$ 3	$ 81	$ 9	$ —	$ 33	$ 126

(i) Other includes salary and benefits, premises, and other expenses incurred to support the ongoing management and facilitation of the programs.

5. RESTRUCTURING COSTS (continued)

An analysis of the total cumulative restructuring costs recognized for the Operational Improvement Program from its commencement to December 31, 2017 by segment is as follows:

	HCB	CRB	IRR	BDA	Corporate	Total
2014						
Termination benefits	$ —	$ 15	$ 1	$ —	$ —	$ 16
Professional services and other [(i)]	—	3	—	—	17	20
2015						
Termination benefits	$ 2	$ 24	$ 7	$ —	$ 3	$ 36
Professional services and other [(i)]	1	57	2	—	30	90
2016						
Termination benefits	$ 1	$ 18	$ 3	$ —	$ 1	$ 23
Professional services and other [(i)]	1	81	4	—	36	122
2017						
Termination benefits	$ —	$ 25	$ 4	$ —	$ 19	$ 48
Professional services and other [(i)]	3	63	6	—	14	86
Total						
Termination benefits	$ 3	$ 82	$ 15	$ —	$ 23	$ 123
Professional services and other [(i)]	5	204	12	—	97	318
Total	$ 8	$ 286	$ 27	$ —	$ 120	$ 441

(i) Other includes salary and benefits, premises, and other expenses incurred to support the ongoing management and facilitation of the program.

The changes in the Company's liability under the Operational Improvement Program from its commencement to December 31, 2017, are as follows:

	Termination Benefits	Professional Services and Other	Total
Balance at January 1, 2014	$ —	$ —	$ —
Charges incurred	16	20	36
Cash payments	(11)	(14)	(25)
Balance at December 31, 2014	5	6	11
Charges incurred	36	90	126
Cash payments	(26)	(85)	(111)
Balance at December 31, 2015	15	11	26
Charges incurred	23	122	145
Cash payments	(31)	(115)	(146)
Balance at December 31, 2016	7	18	25
Charges incurred	48	86	134
Cash payments	(41)	(97)	(138)
Balance at December 31, 2017	$ 14	$ 7	$ 21

5. RESTRUCTURING COSTS (continued)

Restructuring costs related to the Business Restructuring Program for the year ended December 31, 2016 by segment are as follows:

	HCB	CRB	IRR	BDA	Corporate	Total
			(in millions)			
2016						
Termination benefits	$ 32	$ 8	$ 3	$ 1	$ 1	$ 45
Professional services and other (i)	3	—	—	—	—	3
Total	$ 35	$ 8	$ 3	$ 1	$ 1	$ 48

(i) Other includes salary and benefits, premises, and other expenses incurred to support the ongoing management and facilitation of the program.

The changes in the Company's liability under the Business Restructure Program from its commencement to December 31, 2017, are as follows:

	Termination Benefits	Professional Services and Other	Total
Balance at January 1, 2016	$ —	$ —	$ —
Charges incurred	45	3	48
Cash payments	(19)	(3)	(22)
Balance at December 31, 2016	$ 26	$ —	$ 26
Adjustment to prior charges incurred	(2)	—	(2)
Cash payments	(23)	—	(23)
Balance at December 31, 2017	$ 1	$ —	$ 1

6. INCOME TAXES

Impact of U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (hereafter 'U.S. Tax Reform'). U.S. Tax Reform makes broad and complex changes to the U.S. tax code, including, but not limited to: (1) requiring a one-time transition tax on certain unremitted earnings of foreign subsidiaries that may be payable over eight years; (2) bonus depreciation that will allow for a full expensing of qualified property; (3) reduction of the federal corporate tax rate from 35% to 21%; (4) a new provision designed to tax global intangible low-taxed income ('GILTI'), which allows for the possibility of using foreign tax credits ('FTCs') and a deduction of up to 50% to offset the income tax liability (subject to some limitations); (5) a new limitation on deductible interest expense; (6) limitations on the deductibility of certain executive compensation; (7) limitations on the use of FTCs to reduce the U.S. income tax liability; (8) the creation of the base erosion anti-abuse tax ('BEAT'), a new minimum tax; and (9) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries.

Also on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ('SAB 118'), which provides guidance on accounting for the tax effects of the U.S. Tax Reform. SAB 118 provides for a measurement period that should not extend beyond one year from the U.S. Tax Reform enactment date for companies to complete the accounting under ASC 740, *Income Taxes* ('ASC 740'). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of U.S. Tax Reform for which the accounting under ASC 740 is complete. Adjustments to incomplete and unknown amounts will be recorded and disclosed prospectively during the measurement period. To the extent that a company's accounting for certain income tax effects of U.S. Tax Reform is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of U.S. Tax Reform.

6. INCOME TAXES (continued)

At December 31, 2017, there are no material elements of U.S. Tax Reform for which the Company's accounting is complete. While the Company's accounting for the following elements of U.S. Tax Reform is incomplete, the Company was able to make reasonable estimates of certain effects. Accordingly, the Company recorded provisional adjustments for the following significant items:

Reduction of the federal corporate tax rate – Beginning January 1, 2018, the Company's U.S. income will be taxed at a 21% federal corporate tax rate. Under ASC 740, deferred tax assets and liabilities must be recalculated as of the enactment date using current tax laws and rates expected to be in effect when the deferred tax items reverse in future periods, which is 21%. Consequently, the Company has recorded a provisional decrease in its net deferred tax liabilities of $208 million, with a corresponding deferred income tax benefit of $208 million. While the Company is able to make a reasonable estimate of the impact of the reduction in the federal corporate tax rate, it may be affected by other analyses related to U.S. Tax Reform that could result in other adjustments to U.S. federal deferred tax balances, including analysis of tax amounts in other comprehensive income and any future guidance issued.

One-time transition tax – The one-time transition tax is based on the Company's total post-1986 earnings and profits ('E&P') that it previously deferred from U.S. income taxes. The Company recorded a provisional amount for the one-time transition tax liability for its foreign subsidiaries owned by U.S. corporate shareholders, resulting in an increase in U.S. Federal income tax expense of $70 million and state income tax expense of $2 million. The Company has a significant number of foreign subsidiaries and therefore has not yet completed its calculation of the total post-1986 E&P as well as non-U.S. income taxes paid for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets, including trade receivables, based on estimates. The Company expects to revise its estimates of E&P, non-U.S. income taxes and cash balances throughout 2018 when actual results are available. In addition, guidance may be released which could also impact these estimates.

Indefinite reinvestment assertion – Beginning in 2018, U.S. Tax Reform provides a 100% deduction for dividends received from 10-percent owned foreign corporations by U.S. corporate shareholders, subject to a one-year holding period. Although dividend income is now exempt from U.S. federal tax for U.S. corporate shareholders, companies must still account for the tax consequences of outside basis differences and other tax impacts of their investments in non-U.S. subsidiaries. As a result of U.S. Tax Reform we have analyzed our global working capital and cash requirements and the potential tax liabilities attributable to a repatriation and have determined that we may repatriate up to $219 million, the majority of which was previously deemed indefinitely reinvested. For those investments from which we were able to make a reasonable estimate of the tax effects of such repatriation, we have recorded a provisional estimate for foreign withholding and state income taxes of $1 million. In addition, we re-measured the existing deferred tax liability accrued on certain acquired Towers Watson subsidiaries and released the deferred tax liability relating to the outside basis difference. This resulted in an income tax benefit of $76 million as these foreign earnings were subject to the one-time transition tax which reduced the outside basis difference.

Bonus Depreciation – While the Company has not completed its determination of all capital expenditures that qualify for immediate expensing for the year ended December 31, 2017, the Company recorded a provisional tax deduction of $40 million based on its current intent to fully expense all qualifying expenditures. The Company will analyze the dates all capital expenditures were placed in service or acquired and consider any future guidance within the next twelve months to finalize the deduction. This resulted in an increase of approximately $14 million to the Company's U.S. federal current income taxes receivable and a corresponding increase in its net deferred tax liabilities of approximately $14 million.

Executive compensation – Starting with compensation paid in 2018, Section 162(m) will limit the Company from deducting compensation, including performance-based compensation, in excess of $1 million paid to anyone who, starting in 2018, serves as the Chief Executive Officer or Chief Financial Officer, or who is among the three most highly compensated executive officers. The only exception to this rule is for compensation that is paid pursuant to a binding contract in effect on November 2, 2017 that would have otherwise been deductible under the prior Section 162(m) rules. Accordingly, any compensation paid in the future pursuant to new compensation arrangements entered into after November 2, 2017, even if performance-based, will count towards the $1 million deduction limit if paid to a covered executive. The Company recorded a provisional income tax expense of $8 million relating to our compensation plans not qualifying for the binding contract exception. We are in the process of obtaining additional information needed to complete our analysis of the binding contract requirement on the various compensation plans to determine the full impact of the law change. In addition, guidance may be released which could also impact our estimates.

6. INCOME TAXES (continued)

The Company's accounting for the following law changes of U.S. Tax Reform is incomplete, and it is not yet able to make reasonable estimates of the effects. Therefore, no provisional adjustment was recorded.

GILTI – U.S. Tax Reform creates a new requirement that certain income (i.e., GILTI) earned by controlled foreign corporations ('CFCs') must be included currently in the gross income of the CFCs' U.S. shareholder. GILTI is the excess of the shareholder's 'net CFC tested income' over the net deemed tangible income return, which is currently defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in the determination of net CFC-tested income. Because of the complexity of the new GILTI tax rules, the Company is continuing to evaluate this provision of U.S. Tax Reform and the application of ASC 740. Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the 'period cost method') or (2) factoring such amounts into a company's measurement of its deferred taxes (the 'deferred method'). The Company's selection of an accounting policy with respect to the new GILTI tax rules will depend, in part, on analyzing its global income of its CFCs to determine whether it expects to have future U.S. inclusions in taxable income related to GILTI and, if so, what the impact is expected to be. Because whether the Company expects to have future U.S. inclusions in taxable income related to GILTI depends on not only its current structure and estimated future results of global operations but also its intent and ability to modify its structure and/or its business, the Company is not yet able to reasonably estimate the effect of this provision of U.S. Tax Reform. Therefore, it has not made any adjustments related to potential GILTI tax in its consolidated financial statements and has not made a policy decision.

Valuation allowances – The Company must assess whether valuation allowances assessments are affected by various aspects of U.S. Tax Reform (e.g., limitation on net interest expense in excess of 30% of adjusted taxable income). As of December 31, 2017, no changes to valuation allowances have been recorded as a result of U.S. Tax Reform.

Provision for income taxes

An analysis of income/(loss) before income taxes by taxing jurisdiction is shown below:

	Years ended December 31,		
	2017	2016	2015
Ireland	$ (23)	$ (27)	$ (61)
U.S.	(198)	(261)	(117)
U.K.	31	123	65
Other jurisdictions	679	555	403
Total	$ 489	$ 390	$ 290

6. INCOME TAXES (continued)

The components of the income tax provision for/(benefit from) income from operations include:

	Years ended December 31,		
	2017	2016	2015
Current tax expense/(benefit):			
U.S. federal taxes	$ 65	$ 35	$ 14
U.S. state and local taxes	7	14	1
U.K. corporation tax	14	28	—
Other jurisdictions	99	71	51
Total current tax expense	185	148	66
Deferred tax expense/(benefit):			
U.S. federal taxes (i)	(268)	(197)	(130)
U.S. state and local taxes (i)	6	(2)	(6)
U.K. corporation tax	(9)	10	14
Other jurisdictions	(14)	(35)	3
Total deferred tax benefit	(285)	(224)	(119)
Total benefit from income taxes	$ (100)	$ (76)	$ (53)

(i) The US federal and US state and local deferred tax benefits for 2015 were increased by $17 million and $3 million, respectively, to reflect the tax effect of a settlement in principle the Company entered into on March 31, 2016 relating to Stanford Financial Group litigation. Further details on this settlement in principle are given in Note 14 to these Consolidated Financial Statements. This settlement in principle was recognized in Annual Form 10-K for the following year, 2016.

The U.S. federal current tax expense includes the impact of a one-time transition tax expense of $70 million related to U.S. Tax Reform which the Company intends to elect to pay over an eight year period without interest. The Company currently estimates that $6 million of this transition tax liability will be paid within the next twelve months.

6. INCOME TAXES (continued)

Effective tax rate reconciliation

The reported income tax provision for /(benefit from) operations differs from the amounts that would have resulted had the reported income before income taxes been taxed at the U.S. federal statutory rate. The principal reasons for the differences between the amounts provided and those that would have resulted from the application of the U.S. federal statutory tax rate are as follows:

	Years ended December 31,		
	2017	**2016**	**2015**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND INTEREST IN EARNINGS OF ASSOCIATES (i)	$ 489	$ 390	$ 290
U.S. federal statutory income tax rate	35%	35%	35%
Income tax expense at U.S. federal tax rate	171	136	102
Adjustments to derive effective tax rate:			
Non-deductible expenses and dividends	68	15	32
Non-deductible acquisition costs	11	1	9
Disposal of non-deductible goodwill	11	2	3
Gain on re-measurement of equity interests	—	—	(20)
Impact of change in rate on deferred tax balances	—	(15)	(5)
Effect of foreign exchange and other differences	3	6	(1)
Non-deductible Venezuelan foreign exchange loss	2	4	11
Changes in valuation allowances	13	(74)	(104)
Net tax effect of intra-group items	(97)	(98)	(30)
Tax differentials of non-U.S. jurisdictions	(69)	(80)	(42)
Tax differentials of U.S. state taxes and local taxes (i)	(6)	17	(5)
Impact of U.S. Tax Reform	(204)	—	—
Other items, net	(3)	10	(3)
Benefit from income taxes	$ (100)	$ (76)	$ (53)

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(i) Income from continuing operations before income taxes and interest in earnings of associates for 2015 was decreased by $50 million to reflect a settlement in principle the Company entered into on March 31, 2016 relating to Stanford Financial Group litigation. As a consequence, the income tax expense at the US federal tax rate for 2015 was decreased by $17 million and US state taxes and local taxes for 2015 were decreased by $3 million. Further details on this settlement in principle are given in Note 14 to these Consolidated Financial Statements. This settlement in principle was recognized in Annual Form 10-K for the following year, 2016.

In connection with our initial analysis of U.S. Tax Reform, the Company has recorded a provisional net tax benefit of $204 million in 2017, which consists of a net benefit of $208 million due to the reduction of the federal corporate tax rate and re-measurement of our net U.S. deferred tax liabilities primarily related to acquisition-based intangibles and a $76 million benefit relating to the release of a deferred tax liability we had previously recorded on the accumulated earnings of certain Towers Watson subsidiaries. These net benefit items are offset by provisional expenses of $8 million recognized as a write-off of a deferred tax asset the Company had previously recorded on executive compensation as well as the U.S. federal and state income tax expense of $72 million associated with the one-time transition tax on foreign earnings of our subsidiaries.

Willis Towers Watson plc is a non-trading holding company tax resident in Ireland where it is taxed at the statutory rate of 25%. The provision for income tax on operations has been reconciled above to the U.S. federal statutory tax rate of 35% due to significant operations in the U.S.

Deferred income taxes

Deferred income tax assets and liabilities reflect the effect of temporary differences between the assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. We recognize deferred tax assets if it is more likely than not that a benefit will be realized.

6. INCOME TAXES (continued)

Deferred income tax assets and liabilities included in the consolidated balance sheet at December 31, 2017 and 2016 are comprised of the following:

	December 31, 2017	December 31, 2016
Deferred tax assets:		
Accrued expenses not currently deductible	$ 131	$ 286
Net operating losses	145	116
Capital loss carryforwards	28	28
Accrued retirement benefits	339	467
Deferred compensation	69	83
Stock options	24	36
Financial derivative transactions	18	12
Gross deferred tax assets	754	1,028
Less: valuation allowance	(162)	(134)
Net deferred tax assets	$ 592	$ 894
Deferred tax liabilities:		
Cost of intangible assets, net of related amortization	$ 929	$ 1,431
Cost of tangible assets, net of related depreciation	56	73
Prepaid retirement benefits	114	85
Accrued revenue not currently taxable	62	119
Deferred tax liabilities	$ 1,161	$ 1,708
Net deferred tax liabilities	$ 569	$ 814

During December 2017, the Company re-measured its U.S. deferred tax assets and liabilities as a result of U.S. Tax Reform to the newly enacted federal tax rate, which is 21%. The net deferred income tax assets are included in other non-current assets and the net deferred tax liabilities are included in deferred tax liabilities in our consolidated balance sheet.

	December 31, 2017	December 31, 2016
Balance sheet classifications:		
Deferred tax assets	$ 46	$ 50
Deferred tax liabilities	615	864
Net deferred tax liability	$ 569	$ 814

At December 31, 2017, we had U.S. federal and non-U.S. net operating loss carryforwards amounting to $289 million of which $237 million can be indefinitely carried forward under local statutes. The remaining $52 million of net operating loss carryforwards will expire, if unused, in varying amounts from 2018 through 2037. In addition, we had U.S. state net operating loss carryforwards of $1.5 billion, which will expire in varying amounts from 2018 to 2037.

Management believes, based on the evaluation of positive and negative evidence, including the future reversal of existing taxable temporary differences, it is more likely than not that the Company will realize the benefits of net deferred tax assets of $592 million, net of the valuation allowance. During 2017 the Company increased its valuation allowance by $28 million primarily due to state net operating losses as it is more likely than not that such losses will not be realized in the foreseeable future. During 2016 the Company released a U.S. valuation allowance of $69 million relating to accrued interest not deductible as a result of deferred tax liabilities recorded for the Merger. The future reversal of the deferred tax liabilities serve as a source of income to recognize the deferred tax asset for accrued interest not deductible. During 2015 the Company released a U.S. valuation allowance of $91 million due to an increase in actual and forecast U.S. earnings.

6. INCOME TAXES (continued)

At December 31, 2017 and 2016, the Company had valuation allowances of $162 million and $134 million, respectively, to reduce its deferred tax assets to estimated realizable value. The valuation allowance at December 31, 2017 relates to deferred tax assets for U.K. capital loss carryforwards of $28 million, which have an unlimited carryforward period but can only be utilized against capital gains and U.S. and non-U.S. net operating losses of $80 million and $34 million, respectively. The valuation allowance at December 31, 2016 relates to deferred tax assets for U.K. capital loss carryforwards of $28 million, which have an unlimited carryforward period and U.S. and non-U.S. net operating losses of $78 million and $28 million, respectively.

An analysis of our valuation allowance is shown below.

	Years ended December 31,		
	2017	2016	2015
Balance at beginning of year	$ 134	$ 187	$ 280
Additions charged against/(credited to) to costs and expenses	35	—	—
Additions charged against/(credited to) to other accounts	—	21	2
Deductions	(7)	(74)	(95)
Balance at end of year	$ 162	$ 134	$ 187

In 2017, the amount charged to tax expense in the table above differs from the 2017 rate reconciliation of $13 million because a portion of the valuation allowance increase is related to the U.S. federal corporate tax rate reduction impact on the U.S. state valuation allowance and is included in the impact of U.S. Tax Reform. The amount charged to tax expense in the table above for 2016 differs from the effect of $74 million disclosed in the 2016 rate reconciliation primarily because the movement in this table includes the effects of acquisition accounting, which does not impact tax expense.

The Company recognizes deferred tax balances related to the undistributed earnings of subsidiaries when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. In 2016 we began accruing deferred taxes on the cumulative earnings of certain acquired Towers Watson subsidiaries. The historical cumulative earnings of our other subsidiaries have been reinvested indefinitely.

As a result of U.S. Tax Reform, we have analyzed our global working capital and cash requirements and the potential tax liabilities attributable to a repatriation and have determined that we may repatriate up to $219 million, the majority of which was previously deemed indefinitely reinvested. For those investments from which we were able to make a reasonable estimate of the tax effects of such repatriation, we have recorded a provisional estimate for foreign withholding taxes and state income taxes of $1 million. In addition, we re-measured the existing deferred tax liability accrued on certain acquired Towers Watson subsidiaries and released the deferred tax liability relating to the outside basis difference. This resulted in an income tax benefit of $76 million as these foreign earnings were subject to the one-time transition tax which reduced the outside basis difference.

The cumulative earnings related to amounts reinvested indefinitely as of December 31, 2017 were approximately $6.8 billion. If future events, including material changes in estimates of cash, working capital, long-term investment requirements or additional guidance relating to U.S. Tax Reform necessitate that these earnings be distributed, an additional provision for income and foreign withholding taxes, net of credits, may be necessary.

6. INCOME TAXES (continued)

Uncertain tax positions

At December 31, 2017, the amount of unrecognized tax benefits associated with uncertain tax positions, determined in accordance with ASC 740-10, excluding interest and penalties, was $59 million. A reconciliation of the beginning and ending balances of the liability for unrecognized tax benefits is as follows:

	2017	2016	2015
Balance at beginning of year	$ 56	$ 22	$ 19
Increases related to acquisitions	—	33	8
Increases related to tax positions in prior years	2	1	1
Decreases related to tax positions in prior years	(5)	(9)	(6)
Decreases related to settlements	—	(1)	—
Decreases related to lapse in statute of limitations	(2)	(1)	—
Increases related to current year tax positions	9	11	2
Cumulative translation adjustment and other adjustments	(1)	—	(2)
Balance at end of year	$ 59	$ 56	$ 22

The liability for unrecognized tax benefits for the years ended December 31, 2017, 2016 and 2015 can be reduced by $3 million, $4 million and nil, respectively, of offsetting deferred tax benefits associated with timing differences, foreign tax credits and the federal tax benefit of state income taxes. If these offsetting deferred tax benefits were recognized, there would have been a favorable impact on our effective tax rate. There are no material balances that would result in adjustments to other tax accounts.

Interest and penalties related to unrecognized tax benefits are included as a component of income tax expense. At December 31, 2017, we had cumulative accrued interest of $5 million. At December 31, 2016, the cumulative accrued interest was $4 million. Penalties accrued in 2017 were $2 million and immaterial in 2016.

Tax expense for the years ended December 31, 2017 and 2016 included immaterial interest benefits.

The Company believes that the outcomes which are reasonably possible within the next 12 months may result in a reduction in the liability for unrecognized tax benefits in the range of $4 million to $6 million, excluding interest and penalties.

The Company and its subsidiaries file income tax returns in various tax jurisdictions in which it operates.

Willis North America Inc. is not currently under examination by the U.S. Internal Revenue Service (‘IRS’). We have ongoing state income tax examinations in certain states for tax years ranging from fiscal year ended June 30, 2012 through calendar year ended December 31, 2015. The statute of limitations in certain states extends back to the fiscal year ended June 30, 2012 as a result of changes to taxable income resulting from prior year federal tax examinations.

All U.K. tax returns have been filed timely and are in the normal process of being reviewed by HM Revenue & Customs. The Company is not currently subject to any material examinations in other jurisdictions. A summary of the tax years that remain open to tax examination in our major tax jurisdictions are as follows:

	Open Tax Years (fiscal year ending in)
U.S. — federal	2014 and forward
U.S. — various states	2012 and forward
U.K.	2010 and forward
Ireland	2013 and forward
France	2010 and forward
Germany	2002 and forward
Canada - federal	2010 and forward

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair market value of identifiable net assets at the dates of acquisition. Goodwill is not amortized but is subject to impairment testing annually and whenever facts or circumstances indicate that the carrying amounts may not be recoverable. Goodwill is allocated to our reporting units primarily based on the original purchase price allocation for acquisitions within the reporting units, or relative fair value when an acquisition covers multiple reporting units. When a business entity is sold, goodwill is allocated to the disposed entity based on the relative fair value of that entity compared with the fair value of the reporting unit in which it was included.

The components of goodwill are outlined below for the years ended December 31, 2017 and 2016:

	HCB	CRB	IRR	BDA	Total
Balance at December 31, 2015					
Goodwill, gross	$ 986	$ 2,212	$ 1,031	$ —	$ 4,229
Accumulated impairment losses	(130)	(362)	—	—	(492)
Goodwill, net - December 31, 2015	856	1,850	1,031	—	3,737
Purchase price allocation adjustments	8	5	(7)	—	6
Goodwill acquired during the period (i)	3,458	—	770	2,557	6,785
Goodwill disposed of during the period	—	(5)	—	—	(5)
Foreign exchange	(40)	(34)	(36)	—	(110)
Balance at December 31, 2016					
Goodwill, gross	$ 4,412	$ 2,178	$ 1,758	$ 2,557	$ 10,905
Accumulated impairment losses	(130)	(362)	—	—	(492)
Goodwill, net - December 31, 2016	4,282	1,816	1,758	2,557	10,413
Goodwill reassigned in segment realignment (ii)	(113)	13	100	—	—
Goodwill acquired during the period	—	8	—	—	8
Goodwill disposed of during the period	(31)	(5)	(27)	—	(63)
Foreign exchange	74	67	20	—	161
Balance at December 31, 2017					
Goodwill, gross	4,342	2,261	1,851	2,557	11,011
Accumulated impairment losses	(130)	(362)	—	—	(492)
Goodwill, net - December 31, 2017	$ 4,212	$ 1,899	$ 1,851	$ 2,557	$ 10,519

(i) Goodwill acquired consists primarily of goodwill recognized from the Merger.

(ii) Represents the reallocation of goodwill related to certain businesses which were realigned among the segments as of January 1, 2017. See Note 4 to these Consolidated Financial Statements for further information.

7. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Other Intangible Assets

The following table reflects changes in the net carrying amount of the components of finite-lived intangible assets for the year ended December 31, 2017:

	Balance at December 31, 2016	Intangible assets acquired	Intangible assets disposed	Amortization (ii)	Foreign Exchange	Balance at December 31, 2017
Client relationships	$ 2,655	$ 13	$ (44)	$ (379)	$ 97	$ 2,342
Management contracts	54	—	—	(4)	6	56
Software (i)	570	36	—	(150)	17	473
Trademark and trade name	1,006	—	(1)	(44)	5	966
Product	33	—	—	(3)	3	33
Favorable agreements	11	1	—	(2)	—	10
Other	3	—	—	(1)	—	2
Total amortizable intangible assets	$ 4,332	$ 50	$ (45)	$ (583)	$ 128	$ 3,882

(i) All in-process research and development intangible assets acquired as part of the Merger on January 4, 2016 of $39 million ($36 million at the date placed into service due to changes in foreign currency exchange rates) have been placed into service during the year ended December 31, 2017 and have been included as intangible assets acquired in this presentation.

(ii) Amortization associated with favorable lease agreements is recorded in Other operating expenses in the consolidated profit and loss account.

The following table reflects changes in the net carrying amount of the components of finite-lived intangible assets for the year ended December 31, 2016:

	Balance as of December 31, 2015	Purchase price allocation adjustments	Intangible assets acquired	Intangible assets disposed	Amortization (ii)	Foreign Exchange	Balance as of December 31, 2016
Client relationships	$ 920	2	$ 2,222	$ (5)	$ (395)	$ (89)	$ 2,655
Management contracts	62	—	—	—	(4)	(4)	54
Software (i)	77	(13)	675	—	(142)	(27)	570
Trademark and trade name	50	1	1,003	—	(45)	(3)	1,006
Product	—	—	42	—	(3)	(6)	33
Favorable agreements	2	—	11	—	(2)	—	11
Other	4	—	—	—	(2)	1	3
Total amortizable intangible assets	$ 1,115	(10)	$ 3,953	$ (5)	$ (593)	$ (128)	$ 4,332

(i) In-process research and development intangible assets acquired as part of the Merger on January 4, 2016 of $39 million ($36 million at December 31, 2016) had not yet been placed in service and are not included in this presentation.

(ii) Amortization associated with favorable agreements is recorded in Other operating expenses in the consolidated profit and loss account.

We recorded amortization related to our finite-lived intangible assets, exclusive of the amortization of our favorable lease agreements, of $581 million, $591 million, and $76 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Our acquired unfavorable lease liabilities were $26 million and $29 million as of December 31, 2017 and December 31, 2016, respectively, and are recorded in other non-current liabilities in the consolidated balance sheet.

7. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The following table reflects the carrying value of finite-lived intangible assets and liabilities at December 31, 2017 and December 31, 2016:

	December 31, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Client relationships	$ 3,462	$ (1,120)	$ 3,396	$ (741)
Management contracts	68	(12)	62	(8)
Software	764	(291)	711	(141)
Trademark and trade name	1,055	(89)	1,051	(45)
Product	39	(6)	36	(3)
Favorable agreements	14	(4)	13	(2)
Other	6	(4)	6	(3)
Total finite-lived assets	$ 5,408	$ (1,526)	$ 5,275	$ (943)
Unfavorable agreements	$ 34	$ (8)	$ 34	$ (5)
Total finite-lived intangible liabilities	$ 34	$ (8)	$ 34	$ (5)

The weighted average remaining life of amortizable intangible assets and liabilities at December 31, 2017 was 14.3 years.

The table below reflects the future estimated amortization expense for amortizable intangible assets and the rent offset resulting from amortization of the net lease intangible assets and liabilities for the next five years and thereafter:

Year ending December 31,	Amortization	Rent offset
2018	$ 535	$ (4)
2019	479	(2)
2020	426	(3)
2021	348	(2)
2022	289	(2)
Thereafter	1,795	(3)
Total	$ 3,872	$ (16)

8. FIXED ASSETS, NET

The following table reflects changes in the net carrying amount of the components of fixed assets for the year ended December 31, 2017 and 2016:

	Furniture, equipment and software	Leasehold improvements	Land and buildings	Total
Cost: at January 1, 2016	$ 724	$ 272	$ 95	$ 1,091
Additions	265	44	2	311
Acquisitions	109	95	—	204
Disposals	(28)	(8)	—	(36)
Foreign exchange	(61)	(21)	(7)	(89)
Cost: at December 31, 2016	1,009	382	90	1,481
Additions	303	91	—	394
Disposals	(61)	(21)	—	(82)
Foreign exchange	49	16	4	69
Cost: at December 31, 2017	$ 1,300	$ 468	$ 94	$ 1,862
Depreciation: at January 1, 2016	$ (393)	$ (94)	$ (41)	$ (528)
Depreciation expense	(119)	(55)	(4)	(178)
Disposals	17	5	—	22
Foreign exchange	31	7	4	42
Depreciation: at December 31, 2016	(464)	(137)	(41)	(642)
Depreciation expense (i)	(199)	(47)	(6)	(252)
Disposals	37	14	—	51
Foreign exchange	(26)	(6)	(2)	(34)
Depreciation: at December 31, 2017	$ (652)	$ (176)	$ (49)	$ (877)
Net book value:				
At December 31, 2016	$ 545	$ 245	$ 49	$ 839
At December 31, 2017	$ 648	$ 292	$ 45	$ 985

(i) Depreciation expense included here does not equal the depreciation expense on the consolidated profit and loss account for the year ended December 31, 2017 due to the inclusion of $49 million which has been classified as transaction and integration expenses.

Included within land and buildings are the following assets held under capital leases:

	December 31, 2017	December 31, 2016
Capital leases	$ 31	$ 32
Accumulated depreciation	(14)	(12)
	$ 17	$ 20

Depreciation related to capital leases was $2 million for each of the years ended December 31, 2017, 2016 and 2015.

9. DERIVATIVE FINANCIAL INSTRUMENTS

We are exposed to certain interest rate and foreign currency risks. Where possible, we identify exposures in our business that can be offset internally. Where no natural offset is identified, we may choose to enter into various derivative transactions. These instruments have the effect of reducing our exposure to unfavorable changes in interest and foreign currency rates. The Company's board of directors reviews and approves policies for managing each of these risks as summarized below. Additional information regarding our derivative financial instruments can be found in Notes 2, 11 and 19 to these Consolidated Financial Statements.

Interest Rate Risk - Investment Income

As a result of the Company's operating activities, the Company holds fiduciary funds. The Company earns interest on these funds, which is included in the Company's consolidated financial statements in interest and other income. These funds are regulated in terms of access as are the instruments in which they may be invested, most of which are short-term in nature.

During 2015, in order to manage interest rate risk arising from these financial assets, the Company entered into interest rate swaps to receive a fixed rate of interest and pay a variable rate of interest. These derivatives, with total notional amounts of $300 million, were designated as hedging instruments at December 31, 2017 and December 31, 2016 and had net fair value liabilities of $1 million and nil, respectively.

Foreign Currency Risk

Certain non-U.S. subsidiaries receive revenues and incur expenses in currencies other than their functional currency, and as a result, the foreign subsidiary's functional currency revenues will fluctuate as the currency rates change. Additionally, the forecast Pounds sterling expenses of our London brokerage market operations may exceed their Pounds sterling revenues, and they may also hold a significant net Pounds sterling asset or liability position in the consolidated balance sheet. To reduce such variability, we use foreign exchange contracts to hedge against this currency risk.

These derivatives were designated as hedging instruments and at December 31, 2017 and December 31, 2016 had total notional amounts of $937 million and $945 million, respectively, and net fair value liabilities of $21 million and $110 million, respectively.

At December 31, 2017, the Company estimates, based on current interest and exchange rates, there will be $26 million of net derivative losses on forward exchange rates, interest rate swaps, and treasury locks reclassified from accumulated other comprehensive income/(loss) into earnings within the next twelve months as the forecast transactions affect earnings. At December 31, 2017, our longest outstanding maturity was 2.9 years.

The effects of the material derivative instruments that are designated as hedging instruments on the consolidated profit and loss account for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Gain/(loss) recognized in OCI (effective portion)			Location of (loss)/gain reclassified from OCI into income (effective portion)	(Loss)/gain reclassified from OCI into income (effective portion)			Location of (loss)/gain recognized in income (ineffective portion and amount excluded from effectiveness testing)	(Loss)/gain recognized in income (ineffective portion and amount excluded from effectiveness testing)		
	2017	2016	2015		2017	2016	2015		2017	2016	2015
Foreign exchange contracts	$ 39	$ (127)	$ (38)	Other expense/ (income), net	$ (53)	$ (42)	$ 4	Interest expense	$ (1)	$ (1)	$ 1

We also enter into foreign currency transactions, primarily to hedge certain intercompany loans. These derivatives are not generally designated as hedging instruments and at December 31, 2017 and December 31, 2016, we had notional amounts of $971 million and $630 million, respectively, and had a net fair value asset of $3 million, and a net fair value liability of $8 million, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The effects of derivatives that have not been designated as hedging instruments on the consolidated profit and loss account for the years ended December 31, 2017, 2016 and 2015 are as follows:

Derivatives not designated as hedging instruments:	Location of gain/(loss) recognized in income	Gain/(loss) recognized in income		
		2017	2016	2015
Foreign exchange contracts	Other expense/(income), net	$ 11	$ (3)	$ (3)

10. DEBT

Short-term debt and current portion of long-term debt consists of the following:

	December 31,	
	2017	2016
6.200% senior notes due 2017	$ —	$ 394
Current portion of 7-year term loan facility	—	22
Current portion of term loan due 2019	85	85
Short-term borrowing under bank overdraft arrangement	—	5
Other debt	—	2
	$ 85	$ 508

Long-term debt consists of the following:

	December 31,	
	2017	2016
Revolving $1.25 billion credit facility	$ 884	$ —
Revolving $800 million credit facility	—	238
7-year term loan facility	—	196
Term loan due 2019	84	169
7.000% senior notes due 2019	186	186
5.750% senior notes due 2021	497	496
3.500% senior notes due 2021	447	446
2.125% senior notes due 2022 (i)	644	565
4.625% senior notes due 2023	248	247
3.600% senior notes due 2024	645	—
4.400% senior notes due 2026	544	543
6.125% senior notes due 2043	271	271
	$ 4,450	$ 3,357

(i) Notes issued in Euro (€540 million)

Guarantees

All direct obligations under the 6.200% (repaid during 2017), 7.000% and 3.600% senior notes are issued by Willis North America Inc. and guaranteed by Willis Towers Watson, Willis Netherlands Holdings B.V., Willis Investment U.K. Holdings Limited, TA I Limited, Trinity Acquisition plc, Willis Group Limited, Willis Towers Watson Sub Holdings Unlimited Company and Willis Towers Watson UK Holdings Limited. See Note 15 to the Parent Company Financial Statements.

All direct obligations under the 5.750% senior notes are issued by the Company and guaranteed by Trinity Acquisition plc, Willis Netherlands Holdings B.V., Willis Investment U.K. Holdings Limited, TA I Limited, Willis North America Inc., Willis Group Limited, Willis Towers Watson Sub Holdings Unlimited Company and Willis Towers Watson UK Holdings Limited. See Note 15 to the Parent Company Financial Statements.

10. DEBT (continued)

All direct obligations under the 4.625%, 6.125%, 3.500%, 4.400%, and 2.125% senior notes are issued by Trinity Acquisition plc and guaranteed by Willis Towers Watson, Willis Netherlands Holdings B.V., Willis Investment U.K. Holdings Limited, TA I Limited, Willis North America Inc., Willis Group Limited, Willis Towers Watson Sub Holdings Unlimited Company and Willis Towers Watson UK Holdings Limited. See Note 15 to the Parent Company Financial Statements.

Revolving Credit Facility

$1.25 billion revolving credit facility

On March 7, 2017, Trinity Acquisition plc (see Note 15 to the Parent Company Financial Statements) entered into a $1.25 billion amended and restated revolving credit facility (the 'RCF'), that will mature on March 7, 2022. The RCF replaced the previous $800 million revolving credit facility (see below for further information). Amounts outstanding under the RCF shall bear interest at LIBOR plus a margin of 1.00% to 1.75%, or alternatively, the base rate plus a margin of 0.00% to 0.75%, based upon the Company's guaranteed senior unsecured long-term debt rating.

Borrowings of $409 million and €45 million against the RCF were used to repay all outstanding borrowings against the previous $800 million revolving credit facility and the 7-year term loan due July 23, 2018.

Additionally, on March 28, 2017, $407 million was used to repay the 6.200% senior notes due 2017, including accrued interest.

$800 million revolving credit facility

Drawings under the previous $800 million revolving credit facility bore interest at LIBOR plus a margin of 1.25% to 2.00%, or alternatively the base rate plus a margin of 0.25% to 1.00% based upon the Company's guaranteed senior unsecured long-term debt rating; a 1.375% margin applied while the Company's debt rating remained BBB/Baa3. At December 31, 2016, $238 million was outstanding under this revolving credit facility.

WSI revolving credit facility

Willis Securities Inc. ('WSI') maintained a $400 million revolving credit facility. The WSI revolving credit facility expired on April 28, 2017. As of December 31, 2017 and 2016, there were no borrowings outstanding under the WSI revolving credit facility.

Senior Notes

3.600% senior notes due 2024

On May 16, 2017, Willis North America Inc. (see Note 15 to the Parent Company Financial Statements) issued $650 million of 3.600% senior notes due 2024 ('2024 senior notes'). The effective interest rate of the 2024 senior notes is 3.614%, which includes the impact of the discount upon issuance. The 2024 senior notes will mature on May 15, 2024, and interest accrues on the 2024 senior notes from May 16, 2017 and will be paid in cash on May 15 and November 15 of each year. The net proceeds from this offering, after deducting underwriter discounts and commissions and estimated offering expenses, were $644 million, and were used to pay down amounts outstanding under the RCF and for general corporate purposes.

2.125% senior notes due 2022

On May 26, 2016, Trinity Acquisition plc issued €540 million ($609 million) of 2.125% senior notes due 2022 ('2022 senior notes'). The 2022 senior notes are fully and unconditionally guaranteed by Willis Towers Watson. The effective interest rate of these senior notes is 2.154%, which includes the impact of the discount upon issuance. The 2022 senior notes will mature on May 26, 2022. Interest accrues on the notes from May 26, 2016 and will be paid in cash on May 26 of each year. The net proceeds from this offering, after deducting underwriter discounts and commissions and estimated offering expenses, were €535 million ($600 million). We used the net proceeds of this offering to repay Tranche A of the previous 1-year term loan facility, which matured in 2016, and related accrued interest.

10. DEBT (continued)

3.500% senior notes due 2021 and 4.400% senior notes due 2026

On March 22, 2016, Trinity Acquisition plc issued $450 million of 3.500% senior notes due 2021 ('2021 senior notes') and $550 million of 4.400% senior notes due 2026 ('2026 senior notes'). The 2021 senior notes and the 2026 senior notes are fully and unconditionally guaranteed by the Company. The effective interest rates of these senior notes are 3.707% and 4.572%, respectively, which includes the impact of the discount upon issuance. The 2021 senior notes and the 2026 senior notes will mature on September 15, 2021 and March 15, 2026, respectively. Interest accrues on the notes from March 22, 2016 and will be paid in cash on March 15 and September 15 of each year. The net proceeds from these offerings, after deducting underwriter discounts and commissions and estimated offering expenses, were $988 million. We used the net proceeds of these offerings to: (i) repay $300 million principal under the prior $800 million revolving credit facility and related accrued interest, which was drawn to repay our previously issued 4.125% senior notes on March 15, 2016; (ii) repay $400 million principal on Tranche B of the previous 1-year term loan facility and related accrued interest; and (iii) pay down a portion of the remaining principal amount outstanding under the previous $800 million revolving credit facility and related accrued interest.

4.625% senior notes due 2023 and 6.125% senior notes due 2043

On August 15, 2013, the Company issued $250 million of 4.625% senior notes due 2023 and $275 million of 6.125% senior notes due 2043. The effective interest rates of these senior notes are 4.696% and 6.154%, respectively, which include the impact of the discount upon issuance. The proceeds were used to repurchase other previously issued senior notes.

5.750% senior notes due 2021

In March 2011, the Company issued $500 million of 5.750% senior notes due 2021. The effective interest rate of this senior note is 5.871%, which includes the impact of the discount upon issuance. The proceeds were used to repurchase and redeem other previously issued senior notes.

7.000% senior notes due 2019

In September 2009, Willis North America Inc. issued $300 million of 7.000% senior notes due 2019. The effective interest rates of these senior notes are 7.081%, which include the impact of the discount upon issuance. A portion of the proceeds were used to repurchase and redeem other previously issued senior notes. In August 2013, $113 million of the 7.000% senior notes due 2019 were repurchased.

Term Loan Facilities

7-year term loan facility

The 7-year term loan facility expiring 2018 bore interest at the same rate applicable to the previous $800 million revolving credit facility and was repayable in quarterly installments of $6 million with a final repayment of $186 million due in the third quarter of 2018. During 2017, we repaid in full and terminated the 7-year term loan with proceeds from borrowings against our $1.25 billion revolving credit facility.

Term loan due December 2019

On January 4, 2016, we acquired a $340 million term loan in connection with the Merger. On November 20, 2015, Towers Watson Delaware Inc. entered into a four-year amortizing term loan agreement for up to $340 million with a consortium of banks to help fund the pre-Merger special dividend. On December 28, 2015, Towers Watson Delaware Inc. borrowed the full $340 million.

The interest rate on the term loan is based on the Company's choice of one, two, three or six-month LIBOR plus a spread of 1.25% to 1.75%, or alternatively the bank base rate plus 0.25% to 0.75%. The spread to each index is dependent on the Company's consolidated leverage ratio. The weighted-average interest rate on this term loan for the year ended December 31, 2017 was 2.33%. The term loan amortizes at a rate of $21 million per quarter, beginning in March 2016, with a final maturity date of December 2019. The Company has the right to prepay a portion or all of the outstanding term loan balance on any interest payment date without penalty. At December 31, 2017, the balance outstanding on the term loan was $170 million, before reduction of $1 million in debt issuance fees.

10. DEBT (continued)

Additional Information Regarding Fully Repaid Term Loan Facility and Senior Notes

1-year term loan facility

On November 20, 2015, Legacy Willis entered into a 1-year term loan facility. The 1-year term loan had two tranches: Tranche A was for €550 million, of which €544 million ($592 million) was drawn on December 19, 2015 and used to finance the acquisition of Gras Savoye. Tranche B was for $400 million and was drawn on January 4, 2016 and used to re-finance debt held by Legacy Towers Watson which became due on acquisition. Tranche A was repaid in its entirety on May 26, 2016 from the proceeds from the issuance of our 2022 senior notes discussed above. Tranche B was repaid in its entirety on March 22, 2016 from a portion of the proceeds from the issuance of our senior notes discussed above. The amount outstanding as of December 31, 2015 was $592 million, gross of $5 million in debt fees related to the 1-year term loan facility.

4.125% senior notes due 2016

In March 2011, the Company issued $300 million of 4.125% senior notes due 2016. The effective interest rate of the senior notes was 4.240%, which included the impact of the discount upon issuance. The proceeds were used to repurchase and redeem other previously issued senior notes.

6.200% senior notes due 2017

On March 28, 2007, we issued $600 million of 10 year senior notes at 6.200%. The effective interest rate of these senior notes was 6.253%. In August 2013, $206 million of the 6.200% senior notes were repurchased. The final balance was repaid on March 28, 2017 from the RCF as discussed above.

Covenants

The terms of our current financings also include certain limitations. For example, the agreements relating to the debt arrangements and credit facilities generally contain numerous operating and financial covenants, including requirements to maintain minimum ratios of consolidated EBITDA to consolidated cash interest expense and maximum levels of consolidated funded indebtedness in relation to consolidated EBITDA, in each case subject to certain adjustments. The operating restrictions and financial covenants in our credit facilities do, and any future financing agreements may, limit our ability to finance future operations or capital needs or to engage in other business activities. At December 31, 2017 and 2016, we were in compliance with all financial covenants.

Debt Maturity

The following table summarizes the maturity of our debt, interest on senior notes and excludes any reduction for debt issuance costs:

	2018	2019	2020	2021	2022	Thereafter	Total
Senior notes	$ —	$ 187	$ —	$ 950	$ 644	$ 1,725	$ 3,506
Interest on senior notes	147	144	134	107	82	464	1,078
Term loans	85	85	—	—	—	—	170
RCF	—	—	—	—	884	—	884
Total	$ 232	$ 416	$ 134	$ 1,057	$ 1,610	$ 2,189	$ 5,638

10. DEBT (continued)

Interest Expense

The following table shows an analysis of the interest expense for the years ended December 31:

	Years ended December 31,		
	2017	2016	2015
Senior notes	$ 148	$ 139	$ 114
Term loans	8	17	5
RCF	17	10	6
WSI revolving credit facility	1	2	2
Other (i)	14	16	15
Total interest expense	$ 188	$ 184	$ 142

(i) Other primarily includes debt issuance costs, interest expense on capitalized leases and accretion on deferred and contingent consideration.

11. FAIR VALUE MEASUREMENTS

The Company has categorized its assets and liabilities that are measured at fair value on a recurring and non-recurring basis into a three-level fair value hierarchy, based on the reliability of the inputs used to determine fair value as follows:

- Level 1: refers to fair values determined based on quoted market prices in active markets for identical assets;
- Level 2: refers to fair values estimated using observable market based inputs or unobservable inputs that are corroborated by market data; and
- Level 3: includes fair values estimated using unobservable inputs that are not corroborated by market data.

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments:

- Available-for-sale securities are classified as Level 1 because we use quoted market prices in determining the fair value of these securities.
- Market values for our derivative instruments have been used to determine the fair value of interest rate swaps and forward foreign exchange contracts based on estimated amounts the Company would receive or have to pay to terminate the agreements, taking into account observable information about the current interest rate environment or current foreign currency forward rates. Such financial instruments are classified as Level 2 in the fair value hierarchy.
- Contingent consideration payable is classified as Level 3, and we estimate fair value based on the likelihood and timing of achieving the relevant milestones of each arrangement, applying a probability assessment to each of the potential outcomes, and discounting the probability-weighted payout. Typically, milestones are based on revenue or EBITDA growth for the acquired business.

11. FAIR VALUE MEASUREMENTS (continued)

The following tables present our assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and December 31, 2016:

		Fair Value Measurements on a Recurring Basis at December 31, 2017			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities:					
Mutual funds / exchange traded funds	Prepaid and other current assets and other non-current assets	$ 40	$ —	$ —	$ 40
Derivatives:					
Derivative financial instruments (i)	Prepaid and other current assets and other non-current assets	$ —	$ 18	$ —	$ 18
Liabilities:					
Contingent consideration:					
Contingent consideration (ii)	Other current liabilities and other non-current liabilities	$ —	$ —	$ 51	$ 51
Derivatives:					
Derivative financial instruments (i)	Other current liabilities and other non-current liabilities	$ —	$ 37	$ —	$ 37

		Fair Value Measurements on a Recurring Basis at December 31, 2016			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities:					
Mutual funds / exchange traded funds	Prepaid and other current assets and other non-current assets	$ 37	$ —	$ —	$ 37
Derivatives:					
Derivative financial instruments (i)	Prepaid and other current assets and other non-current assets	$ —	$ 15	$ —	$ 15
Liabilities:					
Contingent consideration:					
Contingent consideration (ii)	Other current liabilities and other non-current liabilities	$ —	$ —	$ 55	$ 55
Derivatives:					
Derivative financial instruments (i)	Other current liabilities and other non-current liabilities	$ —	$ 133	$ —	$ 133

(i) See Note 9 to the Consolidated Financial Statements for further information on our derivative instruments.

(ii) Probability weightings are based on our knowledge of the past and planned performance of the acquired entity to which the contingent consideration applies. The weighted-average discount rate used on our material contingent consideration calculations was 9.64% and 10.76% at December 31, 2017 and December 31, 2016, respectively. Using different probability weightings and discount rates could result in an increase or decrease of the contingent consideration payable.

While Irish Company Law does not permit contingent consideration to be carried at fair value, as required under US GAAP, the use of a discounted best estimate is permitted under Irish Company Law and would not result in a materially different carrying amount.

The following table summarizes the change in fair value of the Level 3 liabilities:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	December 31, 2017
Balance at December 31, 2016	$ 55
Net sales	(7)
Payments	(10)
Realized and unrealized gains	9
Foreign exchange	4
Balance at December 31, 2017	$ 51

11. FAIR VALUE MEASUREMENTS (continued)

There were no significant transfers between Levels 1, 2 or 3 during the years ended December 31, 2017 and 2016.

Fair value information about financial instruments not measured at fair value

The following tables present our liabilities not measured at fair value on a recurring basis at December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Short-term debt and current portion of long-term debt	$ 85	$ 85	$ 508	$ 513
Long-term debt	$ 4,450	$ 4,706	$ 3,357	$ 3,504

The carrying values of our revolving lines of credit and term loans approximate their fair values. The fair values above are not necessarily indicative of the amounts that the Company would realize upon disposition nor do they indicate the Company's intent or ability to dispose of the financial instrument. The fair value of our respective senior notes are considered level 2 financial instruments as they are corroborated by observable market data.

12. RETIREMENT BENEFITS

Defined Benefit Plans and Post-retirement Welfare Plans

Willis Towers Watson sponsors both qualified and non-qualified defined benefit pension plans and other post-retirement welfare plans ('PRW') plans throughout the world. The majority of our plan assets and obligations are in the United States and the United Kingdom. We have also included disclosures related to defined benefit plans in certain other countries, including Canada, France, Germany, Ireland and the Netherlands. Together, these disclosed funded and unfunded plans represent 99% of Willis Towers Watson's pension and PRW obligations and are disclosed herein.

On January 4, 2016, in connection with the Merger, we acquired additional defined benefit pension, PRW, and defined contribution plans. Total plan assets of approximately $3.7 billion and projected benefit obligations of approximately $4.6 billion were acquired. The funded status for each of the acquired plans has been included in the values of identifiable assets acquired, and liabilities assumed in Note 3 to these Consolidated Financial Statements and are recorded as $67 million in pension benefits assets and $923 million in liability for pension benefits.

As part of these obligations, in the United States, the United Kingdom and Canada, we have non-qualified plans that provide for the additional pension benefits that would be covered under the qualified plan in the respective country were it not for statutory maximums. The non-qualified plans are unfunded.

The significant plans within each grouping are described below:

United States

Legacy Willis – This plan was frozen in 2009. Approximately one-quarter of the Legacy Willis employees in the United States have a frozen accrued benefit under this plan.

Willis Towers Watson Plan – Substantially all U.S. employees are eligible to participate in this plan. Benefits are provided under a stable value pension plan design. The original stable value design came into effect on January 1, 2012. As of July 1, 2017, existing plan participants earn benefits without having to make employee contributions, and all newly eligible employees are required to contribute 2% of pay to participate in the plan.

United Kingdom

Legacy Willis – This plan covers approximately one third of the Legacy Willis employees in the United Kingdom. The plan is now closed to new entrants. New employees in the United Kingdom are offered the opportunity to join a defined contribution plan.

12. RETIREMENT BENEFITS (continued)

Legacy Towers Watson – Benefit accruals earned under the Legacy Watson Wyatt defined benefit plan (predominantly pension benefits) ceased on February 28, 2015, although benefits earned prior to January 1, 2008 retain a link to salary until the employee leaves the Company. Benefit accruals earned under the legacy Towers Perrin defined benefit plan (predominantly lump sum benefits) were frozen on March 31, 2008. All participants now accrue defined contribution benefits.

Legacy Miller – The plan provides retirement benefits based on members' salaries at the point at which they ceased to accrue benefits under the scheme.

Other

Canada (Legacy Towers Watson) – Participants accrue qualified and non-qualified benefits based on a career average benefit formula. Additionally, participants can choose to make voluntary contributions to purchase enhancements to their pension.

France (Legacy Gras Savoye) – The mandatory retirement indemnity plan is a termination benefit which provides lump sum benefits at retirement. There is no vesting before the retirement date and the benefit formula is determined through the collective bargaining agreement and the labor code. All employees with permanent employment contracts are eligible.

Germany (Legacy Willis) – The defined benefit plan population consists of retirees receiving annuities and three participants with deferred vested benefits. Other employees and former employees participate in defined contribution arrangements.

Germany (Legacy Towers Watson) – Effective January 1, 2011, all new participants participate in a defined contribution plan. Participants hired prior to this date continue to participate in various defined contribution and defined benefit arrangements according to legacy plan formulas. The legacy defined benefit plans are primarily account-based, with some long-service participants continuing to accrue benefits according to grandfathered final-average-pay formulas.

Ireland (Legacy Willis) – The defined benefit plans provide pension benefits for approximately one third of legacy Willis employees in Ireland. The defined benefit plans are now closed to new entrants.

Ireland (Legacy Towers Watson) – Benefit accruals earned under the scheme's defined benefit plan ceased on May 1, 2015. Benefits earned prior to this date retain a link to salary until the employee leaves the Company.

Netherlands (Legacy Towers Watson) – Benefits under the plan used to accrue on a final pay basis on earnings up to a maximum amount each year. The benefit accrual under the final pay plan stopped at December 31, 2010. The accrued benefits will receive conditional indexation each year.

Post-retirement Welfare Plan

We provide certain healthcare and life insurance benefits for retired participants. The principal plans cover participants in the U.S. who have met certain eligibility requirements. Our principal post-retirement benefit plans are primarily unfunded. Retiree medical benefits provided under our U.S. post-retirement benefit plans were closed to new hires effective January 1, 2011. Life insurance benefits under the plans were frozen with respect to service, eligibility and amounts as of January 1, 2012 for active participants.

Retirement benefit costs and liabilities in respect of defined benefit pension plans are assessed in accordance with the advice of professionally qualified actuaries. At December 31, 2017 the most recent actuarial valuations of the four principal defined benefit pension plans (which are not available for public inspection) were January 1, 2017 for the Legacy Willis United States scheme, January 1, 2017 for the Legacy Towers Watson United States scheme, December 31, 2013 for the Legacy Willis United Kingdom scheme and March 31, 2014 for the Legacy Watson Wyatt United Kingdom scheme.

12. RETIREMENT BENEFITS (continued)

Amounts Recognized in our Consolidated Financial Statements

The following schedules provide information concerning the defined benefit pension plans and PRW plan as of and for the years ended December 31, 2017 and 2016:

	2017				2016			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Change in Benefit Obligation								
Benefit obligation, beginning of year	$ 4,169	$ 3,899	$ 732	$ 113	$ 976	$ 2,881	$ 184	$ —
Service cost	66	32	20	—	59	24	19	1
Interest cost	139	93	17	4	137	114	18	3
Employee contributions	6	1	—	6	—	1	—	7
Actuarial losses	293	2	5	14	151	852	61	4
Settlements	(16)	(138)	(1)	—	—	(12)	(61)	—
Benefits paid	(181)	(93)	(29)	(14)	(166)	(130)	(24)	(14)
Business combinations	—	—	—	—	3,012	842	530	112
Transfers in	—	—	1	—	—	—	1	—
Foreign currency changes	—	369	77	—	—	(673)	4	—
Benefit obligation, end of year	$ 4,476	$ 4,165	$ 822	$ 123	$ 4,169	$ 3,899	$ 732	$ 113
Change in Plan Assets								
Fair value of plan assets, beginning of year	$ 3,280	$ 4,360	$ 467	$ 4	$ 749	$ 3,478	$ 158	$ —
Actual return on plan assets	464	290	42	—	153	782	26	—
Employer contributions	101	66	34	6	91	106	39	7
Employee contributions	6	1	—	6	—	1	—	7
Settlements	(16)	(138)	(1)	—	—	(12)	(58)	—
Benefits paid	(181)	(93)	(29)	(14)	(166)	(130)	(24)	(14)
Business combinations	—	—	—	—	2,453	906	321	4
Transfers in	—	—	1	—	—	—	1	—
Foreign currency adjustment	—	424	48	—	—	(771)	4	—
Fair value of plan assets, end of year	$ 3,654	$ 4,910	$ 562	$ 2	$ 3,280	$ 4,360	$ 467	$ 4
Funded status at end of year	$ (822)	$ 745	$ (260)	$ (121)	$ (889)	$ 461	$ (265)	$ (109)
Accumulated Benefit Obligation	$ 4,476	$ 4,165	$ 790	$ 123	$ 4,169	$ 3,899	$ 696	$ 113
Components on the Consolidated Balance Sheet								
Pension benefits assets	$ —	$ 754	$ 17	$ —	$ —	$ 478	$ 10	$ —
Current liability for pension benefits	$ (40)	$ —	$ (6)	$ (5)	$ (47)	$ —	$ (7)	$ (3)
Non-current liability for pension benefits	$ (782)	$ (9)	$ (271)	$ (116)	$ (842)	$ (17)	$ (268)	$ (106)
	$ (822)	$ 745	$ (260)	$ (121)	$ (889)	$ 461	$ (265)	$ (109)

Amounts recognized in accumulated other comprehensive loss as of December 31, 2017 and 2016 consist of:

	2017				2016			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Net actuarial loss	$ 663	$ 909	$ 79	$ 19	$ 603	$ 918	$ 80	$ 4
Net prior service gain	—	(142)	—	—	—	(147)	—	—
Accumulated other comprehensive loss	$ 663	$ 767	$ 79	$ 19	$ 603	$ 771	$ 80	$ 4

12. RETIREMENT BENEFITS (continued)

The following table presents the projected benefit obligation and fair value of plan assets for our plans that have a projected benefit obligation in excess of plan assets as of December 31, 2017 and 2016:

	2017			2016		
	U.S.	U.K.	Other	U.S.	U.K.	Other
Projected benefit obligation at end of year	$ 4,476	$ 10	$ 758	$ 4,169	$ 843	$ 686
Fair value of plan assets at end of year	$ 3,654	$ —	$ 481	$ 3,280	$ 825	$ 411

The following table presents the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for our plans that have an accumulated benefit obligation in excess of plan assets as of December 31, 2017 and 2016.

	2017			2016		
	U.S.	U.K.	Other	U.S.	U.K.	Other
Projected benefit obligation at end of year	$ 4,476	$ 10	$ 758	$ 4,169	$ 843	$ 686
Accumulated benefit obligation at end of year	$ 4,476	$ 10	$ 726	$ 4,169	$ 843	$ 650
Fair value of plan assets at end of year	$ 3,654	$ —	$ 481	$ 3,280	$ 825	$ 411

The components of the net periodic benefit income and other amounts recognized in other comprehensive (income)/loss for the years ended December 31, 2017, 2016 and 2015 for the defined benefit pension and PRW plans are as follows:

	2017				2016				2015			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Components of net periodic benefit (income)/cost:												
Service cost	$ 66	$ 32	$ 20	$ —	$ 59	$ 24	$ 19	$ 1	$ —	$ 33	$ 3	$ —
Interest cost	139	93	17	4	137	114	18	3	41	107	3	—
Expected return on plan assets	(245)	(284)	(30)	—	(240)	(253)	(27)	—	(57)	(230)	(3)	—
Amortization of unrecognized prior service credit	—	(18)	—	—	—	(19)	—	—	—	(18)	—	—
Amortization of unrecognized actuarial loss	13	53	2	—	12	42	—	—	11	36	1	—
Settlement	1	37	1	—	—	—	5	—	—	—	—	—
Curtailment gain	—	—	—	—	—	—	—	—	—	(5)	—	—
Net periodic benefit (income)/cost	$ (26)	$ (87)	$ 10	$ 4	$ (32)	$ (92)	$ 15	$ 4	$ (5)	$ (77)	$ 4	$ —
Other changes in plan assets and benefit obligations recognized in other comprehensive loss/(income):												
Net actuarial loss/(gain)	$ 74	$ (4)	$ (7)	$ 14	$ 238	$ 323	$ 62	$ 4	$ (16)	$ 59	$ (5)	$ —
Amortization of unrecognized actuarial loss	(13)	(53)	(2)	—	(12)	(42)	—	—	(11)	(36)	(1)	—
Prior service gain	—	—	—	—	—	—	—	—	—	(215)	—	—
Amortization of unrecognized prior service credit	—	18	—	—	—	19	—	—	—	18	—	—
Settlement	(1)	(37)	(1)	—	—	—	(8)	—	—	—	—	—
Curtailment loss	—	—	—	—	—	—	—	—	—	18	—	—
Total recognized in other comprehensive loss/(income)	60	(76)	(10)	14	226	300	54	4	(27)	(156)	(6)	—
Total recognized in net periodic benefit (income)/cost and other comprehensive loss/(income)	$ 34	$ (163)	$ —	$ 18	$ 194	$ 208	$ 69	$ 8	$ (32)	$ (233)	$ (2)	$ —

During the year ended December 31, 2017, as a result of past changes in UK legislation and the low interest rate environment, the amount of transfer payments from the Legacy Willis UK pension plan exceeded the plan's service and interest cost. This triggers settlement accounting which requires immediate recognition of a portion of the obligations associated with the plan transfers. Consequently, the Company recognized a non-cash expense of $36 million.

During financial year 2016, we adopted the granular approach to calculating service and interest cost. This was treated as a change in accounting estimate, and resulted in a credit of $51 million included in our total net periodic benefit income reflected above.

12. RETIREMENT BENEFITS (continued)

On March 6, 2015, Legacy Willis announced to members of the U.K. defined benefit pension plan that, effective from June 30, 2015, future salary increases would not be pensionable (the 'salary freeze'). Legacy Willis recognized the salary freeze as a plan amendment at the announcement date. The impact of the salary freeze reduced the plan's projected benefit obligation by approximately $215 million and created a prior service credit which is recognized in other comprehensive income and then amortized to the consolidated profit and loss account over the remaining expected service life of active employees.

The estimated net actuarial loss and prior service gain for the defined benefit plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next financial year are:

	For the Year Ended December 31, 2018			
	U.S.	U.K	Other	PRW
Estimated net actuarial loss	$ 11	$ 47	$ 2	$ 1
Prior service gain	$ —	$ (19)	$ —	$ —

Assumptions Used in the Valuations of the Defined Benefit Pension Plans and PRW Plan

The determination of the Company's obligations and annual expense under the plans is based on a number of assumptions that, given the longevity of the plans, are long-term in focus. A change in one or a combination of these assumptions could have a material impact on our projected benefit obligation. However, certain of these changes, such as changes in the discount rate and actuarial assumptions, are not recognized immediately in net income, but are instead recorded in other comprehensive income. The accumulated gains and losses not yet recognized in net income are amortized into net income as a component of the net periodic benefit cost/(credit) generally based on the average working life expectancy of the plan's active participants to the extent that the net gains or losses as of the beginning of the year exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation. The average remaining service period of participants for the PRW plan is approximately 9.9 years.

The Company considers several factors prior to the start of each financial year when determining the appropriate annual assumptions, including economic forecasts, relevant benchmarks, historical trends, portfolio composition and peer company comparisons. These assumptions, used to determine our pension liabilities and pension expense, are reviewed annually by senior management and changed when appropriate. The discount rate will be changed annually if underlying rates have moved, whereas the expected long-term return on assets will be changed less frequently as longer term trends in asset returns emerge or long-term target asset allocations are revised. To calculate the discount rate, we use the granular approach to determining service and interest costs. The expected rate of return assumptions for all plans are supported by an analysis of the weighted-average yield expected to be achieved based upon the anticipated makeup of the plans' investments. Other material assumptions include rates of participant mortality, and the expected long-term rate of compensation and pension increases.

The following assumptions were used in the valuations of Willis Towers Watson's defined benefit pension plans and PRW plan. The assumptions presented for the U.S. plans represent the weighted-average of rates for all U.S. plans. The assumptions presented for the U.K. plans represent the weighted-average of rates for the U.K. plans. The assumptions presented for the Other plans represent the weighted-average of rates for the Canada, France, Germany, Ireland, and Netherlands plans.

12. RETIREMENT BENEFITS (continued)

The assumptions used to determine net periodic benefit cost for the financial years ended December 31, 2017, 2016, and 2015 were as follows:

	Years ended December 31,											
	2017				2016				2015			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Discount rate (i)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.9%	3.6%	2.3%	—%
Discount rate - PBO	4.0%	2.6%	2.7%	4.0%	4.2%	3.8%	3.2%	4.2%	N/A	N/A	N/A	—%
Discount rate - service cost	3.9%	2.6%	3.0%	3.9%	3.9%	3.8%	3.4%	4.1%	N/A	N/A	N/A	—%
Discount rate - interest cost on service cost	3.2%	2.4%	2.8%	3.5%	3.2%	3.8%	3.1%	3.5%	N/A	N/A	N/A	—%
Discount rate - interest cost on PBO	3.4%	2.3%	2.3%	3.3%	3.4%	3.4%	2.8%	3.3%	N/A	N/A	N/A	—%
Expected long-term rate of return on assets	7.6%	6.3%	6.1%	2.0%	7.6%	6.2%	6.1%	2.0%	7.3%	6.5%	3.3%	—%
Rate of increase in compensation levels	4.3%	3.2%	2.3%	N/A	4.3%	3.2%	2.3%	N/A	N/A	2.9%	2.2%	—%
Healthcare cost trend												
Initial rate				7.0%				7.0%				N/A
Ultimate rate				5.0%				5.0%				N/A
Year reaching ultimate rate				2022				2022				N/A

(i) This discount rate represents the assumption to determine net periodic benefit cost prior to the Company's use of the granular approach to calculating service and interest cost which began for the 2016 financial year.

The following tables present the assumptions used in the valuation to determine the projected benefit obligation for the financial years ended December 31, 2017 and 2016:

	December 31, 2017				December 31, 2016			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Discount rate	3.6%	2.6%	2.6%	3.5%	4.0%	2.6%	2.7%	4.0%
Rate of increase in compensation levels	4.3%	3.0%	2.3%	N/A	4.3%	3.2%	2.3%	N/A

A one percentage point change in the assumed healthcare cost trend rates would have an immaterial effect on the post-retirement benefit cost and obligation as of December 31, 2017.

The expected return on plan assets was determined on the basis of the weighted-average of the expected future returns of the various asset classes, using the target allocations shown below. The Company's pension plan asset target allocations as of December 31, 2017 were as follows:

	U.S.		U.K.			Canada	Germany	Ireland	
Asset Category	Willis	Towers Watson	Willis	Towers Watson	Miller	Towers Watson	Towers Watson	Willis	Towers Watson
Equity securities	35%	23%	33%	11%	33%	60%	30%	32%	71%
Debt securities	54%	43%	47%	56%	55%	40%	51%	27%	29%
Real estate	11%	6%	2%	—%	—%	—%	—%	3%	—%
Other	—%	28%	18%	33%	12%	—%	19%	38%	—%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

The Legacy Willis plan in Germany and the Legacy Towers Watson plan in the Netherlands are invested in insurance contracts. Consequently, the asset allocations of the plans are managed by the insurer. The Legacy Gras Savoye plan in France is unfunded.

Our investment strategy is designed to generate returns that will reduce the interest rate risk inherent in each of the plan's benefit obligations and enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the life expectancy of the plan participants and salary inflation. The obligations are estimated using actuarial assumptions, based on the current economic environment.

12. RETIREMENT BENEFITS (continued)

Each pension plan seeks to achieve total returns sufficient to meet expected future obligations when considered in conjunction with expected future contributions and prudent levels of investment risk and diversification. Each plan's targeted asset allocation is generally determined through a plan-specific Asset-Liability Modeling study. These comprehensive studies provide an evaluation of the projected status of asset and benefit obligation measures for each plan under a range of both positive and negative environments. The studies include a number of different asset mixes, spanning a range of diversification and potential equity exposures.

In evaluating the strategic asset allocation choices, an emphasis is placed on the long-term characteristics of each individual asset class, such as expected return, volatility of returns and correlations with other asset classes within the portfolios. Consideration is also given to the proper long-term level of risk for each plan, the impact of the volatility and magnitude of plan contributions and costs, and the impact that certain actuarial techniques may have on the plan's recognition of investment experience.

We monitor investment performance and portfolio characteristics on a quarterly basis to ensure that managers are meeting expectations with respect to their investment approach. There are also various restrictions and controls placed on managers, including prohibition from investing in our stock.

Fair Value of Plan Assets

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value:

- Level 1: refers to fair values determined based on quoted market prices in active markets for identical assets;
- Level 2: refers to fair values estimated using observable market based inputs or unobservable inputs that are corroborated by market data; and
- Level 3: includes fair values estimated using unobservable inputs that are not corroborated by market data.

The fair values of our U.S. plan assets by asset category at December 31, 2017 and 2016 are as follows:

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category:								
Cash	$ 10	$ —	$ —	$ 10	$ 3	$ —	$ —	$ 3
Short-term securities	—	283	—	283	—	33	—	33
Equity securities	202	—	—	202	253	8	—	260
Government bonds	10	—	—	10	10	—	—	10
Corporate bonds	—	193	—	193	—	169	—	170
Other fixed income	—	20	—	20	—	19	—	19
Pooled / commingled funds	—	—	—	1,922	—	—	—	1,665
Mutual funds	1	—	—	1	183	—	—	183
Private equity	—	—	—	287	—	—	—	234
Hedge funds	—	—	—	724	—	—	—	692
Total assets	$ 223	$ 496	$ —	$ 3,652	$ 449	$ 229	$ —	$ 3,269

12. RETIREMENT BENEFITS (continued)

The fair values of our U.K. plan assets by asset category at December 31, 2017 and 2016 are as follows:

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category:								
Cash	$ 92	$ —	$ —	$ 92	$ 49	$ —	$ —	$ 49
Equity securities	24	—	—	24	374	8	—	382
Government bonds	1,841	—	—	1,841	1,184	—	—	1,184
Corporate bonds	—	224	—	224	—	118	—	118
Other fixed income	—	246	—	246	—	216	—	216
Pooled / commingled funds	—	—	—	2,294	—	—	—	1,677
Mutual funds	—	—	—	8	—	—	—	11
Private equity	—	—	—	32	—	—	—	40
Derivatives	—	102	—	102	—	73	—	73
Real estate	—	—	—	218	—	—	—	197
Hedge funds	—	—	—	393	—	—	—	426
Total assets	$ 1,957	$ 572	$ —	$ 5,474	$ 1,607	$ 415	$ —	$ 4,373
Liability category:								
Repurchase agreements	—	549	—	549	—	—	—	—
Derivatives	—	16	—	16	—	14	—	14
Net assets	$ 1,957	$ 7	$ —	$ 4,909	$ 1,607	$ 401	$ —	$ 4,359

The fair values of our Other plan assets by asset category at December 31, 2017 and 2016 are as follows:

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category:								
Cash	$ 5	$ —	$ —	$ 5	$ 17	$ —	$ —	$ 17
Pooled / commingled funds	—	—	—	327	—	—	—	214
Mutual funds	—	—	—	209	—	—	—	224
Insurance contracts	—	—	19	19	—	—	17	17
Total assets	$ 5	$ —	$ 19	$ 560	$ 17	$ —	$ 17	$ 472

Our PRW plan invests only in short-term investments and mutual funds and is not included within this fair value hierarchy table.

We evaluate the need to transfer between levels based upon the nature of the financial instrument and size of the transfer relative to the total net assets of the plans. There were no significant transfers between Levels 1, 2 or 3 in the financial years ended December 31, 2017 and 2016.

In accordance with Subtopic 820-10, *Fair Value Measurement and Disclosures*, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets.

Following is a description of the valuation methodologies used for investments at fair value:

Short-term securities: Valued at the net value of shares held by the Company at year end as reported by the sponsor of the funds.

Equity securities and Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded. Exchange traded mutual funds are included as Level 1 above.

Government bonds: Valued at the closing price reported in the active market in which the bond is traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

12. RETIREMENT BENEFITS (continued)

Other Fixed Income: Foreign and municipal bonds are valued at the closing price reported in the active market in which the bond is traded.

Pooled / Commingled Funds and Mutual Funds: Valued at the net value of shares held by the Company at year end as reported by the manager of the funds. These funds are not exchange traded and are not reported by level in the tables above.

Derivative investments: Valued at the closing level of the relevant index or security and interest accrual through the valuation date.

Private equity funds, Real estate funds, Hedge funds: The fair value for these investments is estimated based on the net asset value derived from the latest audited financial statements or most recent capital account statements provided by the private equity fund's investment manager or third-party administrator.

Insurance contracts: The fair values are determined using model-based techniques that include option-pricing models, discounted cash flow models and similar techniques.

Repurchase agreements: Valued as the repurchase obligation which includes an interest rate linked to the underlying fixed interest government bond portfolio. These agreements are short-term in nature (less than one year) and were entered into for the purpose of purchasing additional government bonds.

The following table reconciles the net plan investments to the total fair value of the plan assets:

	December 31, 2017	December 31, 2016
Net assets held in investments	$ 9,121	$ 8,100
PRW plan assets	2	3
Net receivable for investments purchased	2	3
Dividend and interest receivable	3	3
Fair value of plan assets	$ 9,128	$ 8,109

Level 3 investments

As a result of the inherent limitations related to the valuations of the Level 3 investments, due to the unobservable inputs of the underlying funds, the estimated fair value may differ significantly from the values that would have been used had a market for those investments existed.

The following table sets forth a summary of changes in the fair value of the plans' Level 3 assets for the financial year ended December 31, 2017:

	Level 3 Roll Forward
Beginning balance at December 31, 2016	$ 17
Foreign exchange	2
Ending balance at December 31, 2017	$ 19

Contributions and Benefit Payments

Funding is based on actuarially determined contributions and is limited to amounts that are currently deductible for tax purposes. Since funding calculations are based on different measurements than those used for accounting purposes, pension contributions are not equal to net periodic pension costs.

12. RETIREMENT BENEFITS (continued)

The following table sets forth our projected pension contributions to our qualified plans for financial year 2018, as well as the pension contributions to our qualified plans in financial years 2017 and 2016:

	2018 (Projected)	2017 (Actual)	2016 (Actual)
U.S.	$ 50	$ 50	$ 50
U.K.	$ 81	$ 65	$ 105
Other	$ 13	$ 13	$ 29

Expected benefit payments from our defined benefit pension plans to current plan participants, including the effect of their expected future service, as appropriate, are as follows:

	Benefit Payments				
Financial Year	U.S.	U.K.	Other	PRW	Total
2018	$ 230	$ 112	$ 36	$ 16	$ 394
2019	236	111	26	17	390
2020	245	117	27	18	407
2021	249	127	29	19	424
2022	260	129	36	20	445
Years 2023 – 2027	1,386	764	179	117	2,446
	$ 2,606	$ 1,360	$ 333	$ 207	$ 4,506

Defined Contribution Plan

We have defined contribution plans covering eligible employees in many countries. The most significant plans are in the U.S. and U.K. and are described here.

We have a U.S. defined contribution plan covering all eligible employees of Willis Towers Watson (the ‘Plan’). The Plan allows participants to make pre-tax and Roth after-tax contributions and provides a 100% match by us on the first 1% of employee contributions and 50% match on the next 5% of employee contributions. Employees vest in the employer match upon 2 years of service. All investment assets of the plan are held in a trust account administered by independent trustees.

The Legacy Towers Watson U.K. pension plan has a money purchase component to which we make core contributions plus additional contributions matching those of the participants up to a maximum rate. Contribution rates depend on the age of the participant and whether or not they arise from salary sacrifice arrangements through which the participant has elected to receive a pension contribution in lieu of additional salary.

The Legacy Willis U.K. pension plan has a money purchase component to which we make core contributions plus additional contributions matching those of the participants up to a maximum rate. Contribution rates may arise from salary sacrifice arrangements through which the participant has elected to receive a pension contribution in lieu of additional salary.

We made contributions to our defined contribution plans for the years ended December 31, 2017, 2016, and 2015 amounting to $154 million, $152 million and $77 million, respectively.

13. PROVISIONS FOR LIABILITIES

An analysis of movements on provisions for liabilities is as follows:

	Claims, lawsuits and other proceedings[i]	Other provisions[ii]	Total
Balance at January 1, 2016	$ 255	$ 90	$ 345
Net provisions made during the year [iii]	56	(9)	47
Balances from acquisitions during the year	240	—	240
Utilized in the year	(28)	(9)	(37)
Foreign currency translation adjustment	(15)	(5)	(20)
Balance at December 31, 2016	$ 508	$ 67	$ 575
Net provisions made during the year	51	12	63
Utilized in the year	(94)	(3)	(97)
Foreign currency translation adjustment	9	8	17
Balance at December 31, 2017	$ 474	$ 84	$ 558

(i) The claims, lawsuits and other proceedings provision includes E&O cases which represents management's assessment of liabilities that may arise from asserted and unasserted claims for alleged errors and omissions that arise in the ordinary course of the Company's business. Where some of the potential liability is recoverable under the Company's external insurance arrangements, the full assessment of the liability is included in the provision with the associated insurance recovery shown separately as an asset.

(ii) The 'Other' category includes amounts that principally relate to post placement service provisions, property and employee-related provisions.

(iii) In 2015, we added $120 million to our provisions for loss contingencies relating to the Stanford litigation. We initially added $70 million to our provisions for loss contingencies relating to the Stanford litigation. On March 31, 2016, the Company entered into a settlement in principle, for $120 million, relating to this litigation and we therefore increased our provisions by $50 million. Further details on this settlement in principle are given in Note 14 to these Consolidated Financial Statements. This $50 million increase in the litigation provision was recognized in Annual Form 10-K for the following year, 2016.

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain land, building and equipment under various operating lease commitments. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease. Rental expenses and sub-lease rental income for operating leases are recorded as part of other operating expenses in the consolidated profit and loss account. Rental expense, exclusive of sublease income, was $302 million, $302 million, and $142 million for the years ended December 31, 2017, 2016 and 2015, respectively. We have entered into sublease agreements for some of our excess leased space. Sublease income was $21 million, $17 million and $17 million for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, the aggregate future minimum rental commitments under all non-cancellable operating lease agreements are as follows:

	Gross rental commitments	Rentals from subleases	Net rental commitments
2018	$ 204	$ (16)	$ 188
2019	191	(13)	178
2020	165	(13)	152
2021	138	(10)	128
2022	120	(4)	116
Thereafter	585	(5)	580
Total	$ 1,403	$ (61)	$ 1,342

14. COMMITMENTS AND CONTINGENCIES (continued)

Guarantees

Guarantees issued by certain of Willis Towers Watson's subsidiaries with respect to the senior notes and revolving credit facilities are discussed in Note 10 to these Consolidated Financial Statements.

Certain of Willis Towers Watson's subsidiaries have given the landlords of some leasehold properties occupied by the Company in the United Kingdom and the United States guarantees in respect of the performance of the lease obligations of the subsidiary holding the lease. The operating lease obligations subject to such guarantees amounted to $669 million and $558 million at December 31, 2017 and 2016, respectively. The capital lease obligations subject to such guarantees amounted to $8 million and $9 million as of December 31, 2017 and 2016, respectively.

Acquisition liabilities

The Company has deferred and contingent consideration due to be paid on existing acquisitions until 2019 totaling $96 million at December 31, 2017. Most notably, our liability for the acquisition of Miller Insurance Services LLP in May 2015, for which deferred and contingent consideration, including interest, was $78 million at December 31, 2017. Total deferred and contingent consideration paid during the year ended December 31, 2017 was $65 million.

Other contractual obligations

For certain subsidiaries and associates, the Company has the right to purchase shares (a call option) from co-shareholders at various dates in the future. In addition, the co-shareholders of certain subsidiaries and associates have the right to sell their shares (a put option) to the Company at various dates in the future. Generally, the exercise price of such put options and call options is formula-based (using revenues and earnings) and is designed to reflect fair value. Based on current projections of profitability and exchange rates, and assuming the put options are exercised, the potential amount payable from these options is not expected to exceed $34 million.

In July 2010, the Company made a capital commitment of $25 million to Trident V Parallel Fund, LP, an investment fund managed by Stone Point Capital. This replaced a capital commitment of $25 million that had been made to Trident V, LP in December 2009. As of December 31, 2017 there have been approximately $24 million of capital contributions.

In May 2011, the Company made a capital commitment of $10 million to Dowling Capital Partners I, LP. As of December 31, 2017 there had been approximately $9 million of capital contributions.

Other contractual obligations at December 31, 2017 and 2016, include certain capital lease obligations totaling $48 million and $54 million, respectively, primarily in respect of the Company's Nashville property.

Indemnification Agreements

Willis Towers Watson has various agreements which provide that it may be obligated to indemnify the other party to the agreement with respect to certain matters. Generally, these indemnification provisions are included in contracts arising in the normal course of business and in connection with the purchase and sale of certain businesses. Although it is not possible to predict the maximum potential amount of future payments that may become due under these indemnification agreements because of the conditional nature of Willis Towers Watson's obligations and the unique facts of each particular agreement, Willis Towers Watson does not believe any potential liability that might arise from such indemnity provisions is probable or material. There are no provisions for recourse to third parties, nor are any assets held by any third parties that any guarantor can liquidate to recover amounts paid under such indemnities.

Legal Proceedings

In the ordinary course of business, the Company is subject to various actual and potential claims, lawsuits, and other proceedings. Some of the claims, lawsuits and other proceedings seek damages in amounts which could, if assessed, be significant. We do not expect the impact of claims or demands not described below to be material to the Company's consolidated financial statements. The Company also receives subpoenas in the ordinary course of business and, from time to time, receives requests for information in connection with governmental investigations.

14. COMMITMENTS AND CONTINGENCIES (continued)

Errors and omissions claims, lawsuits, and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance. See Note 13 to these Consolidated Financial Statements for the amounts accrued at December 31, 2017 and 2016 in the consolidated balance sheet. The terms of this insurance vary by policy year. Regarding self-insured risks, the Company has established provisions which are believed to be adequate in the light of current information and legal advice, or, in certain cases, where a range of loss exists, the Company accrues the minimum amount in the range if no amount within the range is a better estimate than any other amount. The Company adjusts such provisions from time to time according to developments.

On the basis of current information, the Company does not expect that the actual claims, lawsuits and other proceedings to which the Company is subject, or potential claims, lawsuits, and other proceedings relating to matters of which it is aware, will ultimately have a material adverse effect on the Company's financial condition, results of operations or liquidity. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation and disputes with insurance companies, it is possible that an adverse outcome or settlement in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods. In addition, given the early stages of some litigation or regulatory proceedings described below, it is not possible to predict their outcome or resolution, and it is possible that these events may have a material adverse effect on the Company.

The Company provides for contingent liabilities based on ASC 450, *Contingencies,* when it is determined that a liability, inclusive of defense costs, is probable and reasonably estimable. The contingent liabilities recorded are primarily developed actuarially. Litigation is subject to many factors which are difficult to predict so there can be no assurance that in the event of a material unfavorable result in one or more claims, we will not incur material costs.

Merger-related Appraisal Demands

Between November 12, 2015 and December 10, 2015, in connection with the then-proposed Merger, Towers Watson received demands for appraisal under Section 262 of the Delaware General Corporation Law on behalf of ten purported beneficial owners of an aggregate of approximately 2.4% of the shares of Towers Watson common stock outstanding at the time of the Merger. Between March 3, 2016 and March 23, 2016, three appraisal petitions were filed in the Court of Chancery for the State of Delaware on behalf of three purported beneficial owners of Towers Watson common stock, captioned *Rangeley Capital LLC v. Towers Watson & Co.,* C.A. No. 12063-CB, *Merion Capital L.P. v. Towers Watson & Co.,* C.A. No. 12064-CB, and *College Retirement Equities Fund v. Towers Watson & Co.,* C.A. No. 12126-CB. The appraisal petitions seek, among other things, a determination of the fair value of the appraisal petitioners' shares at the time of the Merger; an order that Towers Watson pay that value to the appraisal petitioners, together with interest at the statutory rate; and an award of costs, attorneys' fees, and other expenses. Towers Watson answered the appraisal petitions between March 24, 2016 and April 18, 2016. On May 9, 2016, the court consolidated the three pending appraisal proceedings under the caption *In re Appraisal of Towers Watson & Co.*, Consolidated C.A. No. 12064-CB. A fourth owner filed an appraisal demand, but did not file an appraisal petition. The aggregate amount of shares subject to appraisal from these four owners was 1,415,199. The court provisionally scheduled trial for October 2, 2017. On September 15, 2017, the Company reached a settlement with all shareholders who made demands for appraisal, resolving all claims related to the appraised shares. Under the terms of the settlement, these shareholders surrendered all rights to the Towers Watson shares and all potential Merger consideration issuable for the legacy shares. In exchange, the Company made a payment to these shareholders of approximately $211 million, which represented $134.75 per share plus accrued interest at the statutory rate of interest. As a result of the settlement, the Court, on September 18, 2017, dismissed all claims in the case with prejudice. The Company thereafter canceled all of the Towers Watson common shares at issue in the appraisal proceeding.

Merger-Related Securities Litigation

On November 21, 2017, a purported former stockholder of Legacy Towers Watson filed a putative class action complaint on behalf of a putative class consisting of all Legacy Towers Watson stockholders as of October 2, 2015 against the Company, Legacy Towers Watson, Legacy Willis, ValueAct Capital Management ('ValueAct'), and certain current and former directors and officers of Legacy Towers Watson and Legacy Willis (John Haley, Dominic Casserley, and Jeffrey Ubben), in the United States District Court for the Eastern District of Virginia. The complaint asserts claims against certain defendants under Section 14(a) of the Securities Exchange Act of 1934 (the 'Exchange Act') for allegedly false and misleading statements in the proxy statement for the Merger; and against other defendants under Section 20(a) of the Exchange Act for alleged "control person" liability with respect to such allegedly false and misleading statements. The complaint further contends that the allegedly false and misleading statements caused stockholders of Legacy Towers Watson to accept inadequate Merger consideration. The complaint seeks damages in an unspecified amount. On February 20, 2018, the court appointed the Regents of the University of California ('Regents') as Lead Plaintiff and Bernstein Litowitz Berger & Grossman LLP ('Bernstein') as Lead Counsel for the

14. COMMITMENTS AND CONTINGENCIES (continued)

putative class, consolidated all subsequently filed, removed, or transferred actions, and captioned the consolidated action "In re Willis Towers Watson plc Proxy Litigation," Master File No. 1:17-cv-1338-AJT-JFA. On March 9, 2018, Lead Plaintiff filed an Amended Complaint. The defendants have not yet responded to the Amended Complaint.

On February 27, 2018 and March 8, 2018, two additional purported former stockholders of Legacy Towers Watson filed putative class action complaints on behalf of a putative class of Legacy Towers Watson stockholders against the former members of the Legacy Towers Watson board of directors, Legacy Towers Watson, Legacy Willis and ValueAct, in the Delaware Court of Chancery, captioned City of Fort Myers General Employees' Pension Fund v. Towers Watson & Co., et al., C.A. No. 2018-0132, and Alaska Laborers-Employers Retirement Trust v. Victor F. Ganzi, et al., C.A. No. 2018-0155, respectively. Based on similar allegations as the Eastern District of Virginia action described above, the complaints assert claims against the former directors of Legacy Towers Watson for breach of fiduciary duty and against Legacy Willis and ValueAct for aiding and abetting breach of fiduciary duty. The defendants have not yet responded to the complaints.

On March 9, 2018, Regents filed a putative class action complaint on behalf of a putative class of Legacy Towers Watson stockholders against the Company, Legacy Willis, ValueAct, and Messrs. Haley, Casserley, and Ubben, in the Delaware Court of Chancery, captioned The Regents of the University of California v. John J. Haley, et al., C.A. No. 2018-0166. Based on similar allegations as the Eastern District of Virginia action described above, the complaint asserts claims against Mr. Haley for breach of fiduciary duty and against all other defendants for aiding and abetting breach of fiduciary duty. The defendants have not yet responded to the complaint. Also on March 9, 2018, Regents filed a motion for consolidation of all pending and subsequently filed Delaware Court of Chancery actions, and for appointment as Lead Plaintiff and for the appointment of Bernstein as Lead Counsel for the putative class. The motion is currently pending.

The Company disputes the allegations in these actions and intends to defend the lawsuits vigorously. Given the stage of the proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of loss in respect of the complaints.

Stanford Financial Group

The Company has been named as a defendant in 15 similar lawsuits relating to the collapse of The Stanford Financial Group ('Stanford'), for which Willis of Colorado, Inc. acted as broker of record on certain lines of insurance. The complaints in these actions generally allege that the defendants actively and materially aided Stanford's alleged fraud by providing Stanford with certain letters regarding coverage that they knew would be used to help retain or attract actual or prospective Stanford client investors. The complaints further allege that these letters, which contain statements about Stanford and the insurance policies that the defendants placed for Stanford, contained untruths and omitted material facts and were drafted in this manner to help Stanford promote and sell its allegedly fraudulent certificates of deposit.

The 15 actions are as follows:

- *Troice, et al. v. Willis of Colorado, Inc., et al.*, C.A. No. 3:9-CV-1274-N, was filed on July 2, 2009 in the U.S. District Court for the Northern District of Texas against Willis Group Holdings plc, Willis of Colorado, Inc. and a Willis associate, among others. On April 1, 2011, plaintiffs filed the operative Third Amended Class Action Complaint individually and on behalf of a putative, worldwide class of Stanford investors, adding Willis Limited as a defendant and alleging claims under Texas statutory and common law and seeking damages in excess of $1 billion, punitive damages and costs. On May 2, 2011, the defendants filed motions to dismiss the Third Amended Class Action Complaint, arguing, *inter alia*, that the plaintiffs' claims are precluded by the Securities Litigation Uniform Standards Act of 1998 ('SLUSA').

  On May 10, 2011, the court presiding over the Stanford-related actions in the Northern District of Texas entered an order providing that it would consider the applicability of SLUSA to the Stanford-related actions based on the decision in a separate Stanford action not involving a Willis entity, *Roland v. Green*, Civil Action No. 3:10-CV-0224-N ('Roland'). On August 31, 2011, the court issued its decision in *Roland*, dismissing that action with prejudice under SLUSA.

  On October 27, 2011, the court in *Troice* entered an order (i) dismissing with prejudice those claims asserted in the Third Amended Class Action Complaint on a class basis on the grounds set forth in the *Roland* decision discussed above and (ii) dismissing without prejudice those claims asserted in the Third Amended Class Action Complaint on an individual basis. Also on October 27, 2011, the court entered a final judgment in the action.

14. COMMITMENTS AND CONTINGENCIES (continued)

On October 28, 2011, the plaintiffs in *Troice* filed a notice of appeal to the U.S. Court of Appeals for the Fifth Circuit. Subsequently, *Troice*, *Roland* and a third action captioned *Troice, et al. v. Proskauer Rose LLP,* Civil Action No. 3:09-CV-01600-N, which also was dismissed on the grounds set forth in the *Roland* decision discussed above and on appeal to the U.S. Court of Appeals for the Fifth Circuit, were consolidated for purposes of briefing and oral argument. Following the completion of briefing and oral argument, on March 19, 2012, the Fifth Circuit reversed and remanded the actions. On April 2, 2012, the defendants-appellees filed petitions for rehearing *en banc*. On April 19, 2012, the petitions for rehearing *en banc* were denied. On July 18, 2012, defendants-appellees filed a petition for writ of certiorari with the United States Supreme Court regarding the Fifth Circuit's reversal in *Troice*. On January 18, 2013, the Supreme Court granted our petition. Opening briefs were filed on May 3, 2013 and the Supreme Court heard oral argument on October 7, 2013. On February 26, 2014, the Supreme Court affirmed the Fifth Circuit's decision.

On March 19, 2014, the plaintiffs in *Troice* filed a Motion to Defer Resolution of Motions to Dismiss, to Compel Rule 26(f) Conference and For Entry of Scheduling Order.

On March 25, 2014, the parties in *Troice* and the *Janvey, et al. v. Willis of Colorado, Inc., et al.* action discussed below stipulated to the consolidation of the two actions for pre-trial purposes under Rule 42(a) of the Federal Rules of Civil Procedure. On March 28, 2014, the Court 'so ordered' that stipulation and, thus, consolidated *Troice* and *Janvey* for pre-trial purposes under Rule 42(a).

On September 16, 2014, the court (a) denied the plaintiffs' request to defer resolution of the defendants' motions to dismiss, but granted the plaintiffs' request to enter a scheduling order; (b) requested the submission of supplemental briefing by all parties on the defendants' motions to dismiss, which the parties submitted on September 30, 2014; and (c) entered an order setting a schedule for briefing and discovery regarding plaintiffs' motion for class certification, which schedule, among other things, provided for the submission of the plaintiffs' motion for class certification (following the completion of briefing and discovery) on April 20, 2015.

On December 15, 2014, the court granted in part and denied in part the defendants' motions to dismiss. On January 30, 2015, the defendants except Willis Group Holdings plc answered the Third Amended Class Action Complaint.

On April 20, 2015, the plaintiffs filed their motion for class certification, the defendants filed their opposition to plaintiffs' motion, and the plaintiffs filed their reply in further support of the motion. Pursuant to an agreed stipulation also filed with the court on April 20, 2015, the defendants on June 4, 2015 filed sur-replies in further opposition to the motion. The Court has not yet scheduled a hearing on the motion.

On June 19, 2015, Willis Group Holdings plc filed a motion to dismiss the complaint for lack of personal jurisdiction. On November 17, 2015, Willis Group Holdings plc withdrew the motion.

On March 31, 2016, the parties in the *Troice* and *Janvey* actions entered into a settlement in principle that is described in more detail below.

- *Ranni v. Willis of Colorado, Inc., et al., C.A.* No. 9-22085, was filed on July 17, 2009 against Willis Group Holdings plc and Willis of Colorado, Inc. in the U.S. District Court for the Southern District of Florida. The complaint was filed on behalf of a putative class of Venezuelan and other South American Stanford investors and alleges claims under Section 10(b) of the Securities Exchange Act of 1934 (and Rule 10b-5 thereunder) and Florida statutory and common law and seeks damages in an amount to be determined at trial. On October 6, 2009, *Ranni* was transferred, for consolidation or coordination with other Stanford-related actions (including *Troice*), to the Northern District of Texas by the U.S. Judicial Panel on Multidistrict Litigation (the 'JPML'). The defendants have not yet responded to the complaint in *Ranni*. On August 26, 2014, the plaintiff filed a notice of voluntary dismissal of the action without prejudice.

- *Canabal, et al. v. Willis of Colorado, Inc., et al., C.A.* No. 3:9-CV-1474-D, was filed on August 6, 2009 against Willis Group Holdings plc, Willis of Colorado, Inc. and the same Willis associate named as a defendant in *Troice*, among others, also in the Northern District of Texas. The complaint was filed individually and on behalf of a putative class of Venezuelan Stanford investors, alleged claims under Texas statutory and common law and sought damages in excess of $1 billion, punitive damages, attorneys' fees and costs. On December 18, 2009, the parties in *Troice* and *Canabal* stipulated to the consolidation of those actions (under the *Troice* civil action number), and, on December 31, 2009, the plaintiffs in *Canabal* filed a notice of dismissal, dismissing the action without prejudice.

14. COMMITMENTS AND CONTINGENCIES (continued)

- *Rupert, et al. v. Winter, et al.,* Case No. 2009C115137, was filed on September 14, 2009 on behalf of 97 Stanford investors against Willis Group Holdings plc, Willis of Colorado, Inc. and the same Willis associate, among others, in Texas state court (Bexar County). The complaint alleges claims under the Securities Act of 1933, Texas and Colorado statutory law and Texas common law and seeks special, consequential and treble damages of more than $300 million, attorneys' fees and costs. On October 20, 2009, certain defendants, including Willis of Colorado, Inc., (i) removed *Rupert* to the U.S. District Court for the Western District of Texas, (ii) notified the JPML of the pendency of this related action and (iii) moved to stay the action pending a determination by the JPML as to whether it should be transferred to the Northern District of Texas for consolidation or coordination with the other Stanford-related actions. On April 1, 2010, the JPML issued a final transfer order for the transfer of *Rupert* to the Northern District of Texas. On January 24, 2012, the court remanded *Rupert* to Texas state court (Bexar County), but stayed the action until further order of the court. On August 13, 2012, the plaintiffs filed a motion to lift the stay, which motion was denied by the court on September 16, 2014. On October 10, 2014, the plaintiffs appealed the court's denial of their motion to lift the stay to the U.S. Court of Appeals for the Fifth Circuit. On January 5, 2015, the Fifth Circuit consolidated the appeal with the appeal in the *Rishmague, et ano. v. Winter, et al.* action discussed below, and the consolidated appeal, was fully briefed as of March 24, 2015. Oral argument on the consolidated appeal was held on September 2, 2015. On September 16, 2015, the Fifth Circuit affirmed. The defendants have not yet responded to the complaint in *Rupert*.

- *Casanova, et al. v. Willis of Colorado, Inc., et al.,* C.A. No. 3:10-CV-1862-O, was filed on September 16, 2010 on behalf of seven Stanford investors against Willis Group Holdings plc, Willis Limited, Willis of Colorado, Inc. and the same Willis associate, among others, also in the Northern District of Texas. The complaint alleges claims under Texas statutory and common law and seeks actual damages in excess of $5 million, punitive damages, attorneys' fees and costs. On February 13, 2015, the parties filed an Agreed Motion for Partial Dismissal pursuant to which they agreed to the dismissal of certain claims pursuant to the motion to dismiss decisions in the *Troice* action discussed above and the *Janvey* action discussed below. Also on February 13, 2015, the defendants except Willis Group Holdings plc answered the complaint in the *Casanova* action. On June 19, 2015, Willis Group Holdings plc filed a motion to dismiss the complaint for lack of personal jurisdiction. Plaintiffs have not opposed the motion.

- *Rishmague, et ano. v. Winter, et al.,* Case No. 2011CI2585, was filed on March 11, 2011 on behalf of two Stanford investors, individually and as representatives of certain trusts, against Willis Group Holdings plc, Willis of Colorado, Inc., Willis of Texas, Inc. and the same Willis associate, among others, in Texas state court (Bexar County). The complaint alleges claims under Texas and Colorado statutory law and Texas common law and seeks special, consequential and treble damages of more than $37 million and attorneys' fees and costs. On April 11, 2011, certain defendants, including Willis of Colorado, Inc., (i) removed *Rishmague* to the Western District of Texas, (ii) notified the JPML of the pendency of this related action and (iii) moved to stay the action pending a determination by the JPML as to whether it should be transferred to the Northern District of Texas for consolidation or coordination with the other Stanford-related actions. On August 8, 2011, the JPML issued a final transfer order for the transfer of *Rishmague* to the Northern District of Texas, where it is currently pending. On August 13, 2012, the plaintiffs joined with the plaintiffs in the *Rupert* action in their motion to lift the court's stay of the *Rupert* action. On September 9, 2014, the court remanded *Rishmague* to Texas state court (Bexar County), but stayed the action until further order of the court and denied the plaintiffs' motion to lift the stay. On October 10, 2014, the plaintiffs appealed the court's denial of their motion to lift the stay to the Fifth Circuit. On January 5, 2015, the Fifth Circuit consolidated the appeal with the appeal in the *Rupert* action, and the consolidated appeal was fully briefed as of March 24, 2015. Oral argument on the consolidated appeal was held on September 2, 2015. On September 16, 2015, the Fifth Circuit affirmed. The defendants have not yet responded to the complaint in *Rishmague*.

- *MacArthur v. Winter, et al.,* Case No. 2013-07840, was filed on February 8, 2013 on behalf of two Stanford investors against Willis Group Holdings plc, Willis of Colorado, Inc., Willis of Texas, Inc. and the same Willis associate, among others, in Texas state court (Harris County). The complaint alleges claims under Texas and Colorado statutory law and Texas common law and seeks actual, special, consequential and treble damages of approximately $4 million and attorneys' fees and costs. On March 29, 2013, Willis of Colorado, Inc. and Willis of Texas, Inc. (i) removed *MacArthur* to the U.S. District Court for the Southern District of Texas and (ii) notified the JPML of the pendency of this related action. On April 2, 2013, Willis of Colorado, Inc. and Willis of Texas, Inc. filed a motion in the Southern District of Texas to stay the action pending a determination by the JPML as to whether it should be transferred to the Northern District of Texas for consolidation or coordination with the other Stanford-related actions. Also on April 2, 2013, the court presiding over *MacArthur* in the Southern District of Texas transferred the action to the Northern District of Texas for consolidation or coordination with the other Stanford-related actions. On September 29, 2014, the parties stipulated to the remand (to Texas state court (Harris County)) and stay of *MacArthur* until further order of the

14. COMMITMENTS AND CONTINGENCIES (continued)

court (in accordance with the court's September 9, 2014 decision in *Rishmague* (discussed above)), which stipulation was 'so ordered' by the court on October 14, 2014. The defendants have not yet responded to the complaint in *MacArthur*.

- *Florida suits*: On February 14, 2013, five lawsuits were filed against Willis Group Holdings plc, Willis Limited and Willis of Colorado, Inc. in Florida state court (Miami-Dade County) alleging violations of Florida common law. The five suits are: (1) *Barbar, et al. v. Willis Group Holdings Public Limited Company, et al.*, Case No. 13-05666CA27, filed on behalf of 35 Stanford investors seeking compensatory damages in excess of $30 million; (2) *de Gadala-Maria, et al. v. Willis Group Holdings Public Limited Company, et al.*, Case No. 13-05669CA30, filed on behalf of 64 Stanford investors seeking compensatory damages in excess of $83.5 million; (3) *Ranni, et ano. v. Willis Group Holdings Public Limited Company, et al.*, Case No. 13-05673CA06, filed on behalf of two Stanford investors seeking compensatory damages in excess of $3 million; (4) *Tisminesky, et al. v. Willis Group Holdings Public Limited Company, et al.*, Case No. 13-05676CA09, filed on behalf of 11 Stanford investors seeking compensatory damages in excess of $6.5 million; and (5) *Zacarias, et al. v. Willis Group Holdings Public Limited Company, et al.*, Case No. 13-05678CA11, filed on behalf of 10 Stanford investors seeking compensatory damages in excess of $12.5 million. On June 3, 2013, Willis of Colorado, Inc. removed all five cases to the Southern District of Florida and, on June 4, 2013, notified the JPML of the pendency of these related actions. On June 10, 2013, the court in *Tisminesky* issued an order *sua sponte* staying and administratively closing that action pending a determination by the JPML as to whether it should be transferred to the Northern District of Texas for consolidation and coordination with the other Stanford-related actions. On June 11, 2013, Willis of Colorado, Inc. moved to stay the other four actions pending the JPML's transfer decision. On June 20, 2013, the JPML issued a conditional transfer order for the transfer of the five actions to the Northern District of Texas, the transmittal of which was stayed for seven days to allow for any opposition to be filed. On June 28, 2013, with no opposition having been filed, the JPML lifted the stay, enabling the transfer to go forward.

  On September 30, 2014, the court denied the plaintiffs' motion to remand in *Zacarias*, and, on October 3, 2014, the court denied the plaintiffs' motions to remand in *Tisminesky* and *de Gadala Maria*. On December 3, 2014 and March 3, 2015, the court granted the plaintiffs' motions to remand in *Barbar* and *Ranni*, respectively, remanded both actions to Florida state court (Miami-Dade County) and stayed both actions until further order of the court. On January 2, 2015 and April 1, 2015, the plaintiffs in *Barbar* and *Ranni*, respectively, appealed the court's December 3, 2014 and March 3, 2015 decisions to the Fifth Circuit. On April 22, 2015 and July 22, 2015, respectively, the Fifth Circuit dismissed the *Barbar* and *Ranni* appeals *sua sponte* for lack of jurisdiction. The defendants have not yet responded to the complaints in *Ranni* or *Barbar*.

  On April 1, 2015, the defendants except Willis Group Holdings plc filed motions to dismiss the complaints in *Zacarias*, *Tisminesky* and *de Gadala-Maria*. On June 19, 2015, Willis Group Holdings plc filed motions to dismiss the complaints in *Zacarias*, *Tisminesky* and *de Gadala-Maria* for lack of personal jurisdiction. On July 15, 2015, the court dismissed the complaint in *Zacarias* in its entirety with leave to replead within 21 days. On July 21, 2015, the court dismissed the complaints in *Tisminesky* and *de Gadala-Maria* in their entirety with leave to replead within 21 days. On August 6, 2015, the plaintiffs in *Zacarias*, *Tisminesky* and *de Gadala-Maria* filed amended complaints (in which, among other things, Willis Group Holdings plc was no longer named as a defendant). On September 11, 2015, the defendants filed motions to dismiss the amended complaints. The motions await disposition by the court.

- *Janvey, et al. v. Willis of Colorado, Inc., et al.*, Case No. 3:13-CV-03980-D, was filed on October 1, 2013 also in the Northern District of Texas against Willis Group Holdings plc, Willis Limited, Willis North America Inc., Willis of Colorado, Inc. and the same Willis associate. The complaint was filed (i) by Ralph S. Janvey, in his capacity as Court-Appointed Receiver for the Stanford Receivership Estate, and the Official Stanford Investors Committee (the 'OSIC') against all defendants and (ii) on behalf of a putative, worldwide class of Stanford investors against Willis North America Inc. Plaintiffs Janvey and the OSIC allege claims under Texas common law and the court's Amended Order Appointing Receiver, and the putative class plaintiffs allege claims under Texas statutory and common law. Plaintiffs seek actual damages in excess of $1 billion, punitive damages and costs. As alleged by the Stanford Receiver, the total amount of collective losses allegedly sustained by all investors in Stanford certificates of deposit is approximately $4.6 billion.

  On November 15, 2013, plaintiffs in *Janvey* filed the operative First Amended Complaint, which added certain defendants unaffiliated with Willis. On February 28, 2014, the defendants filed motions to dismiss the First Amended Complaint, which motions, other than with respect to Willis Group Holding plc's motion to dismiss for lack of

14. COMMITMENTS AND CONTINGENCIES (continued)

personal jurisdiction, were granted in part and denied in part by the court on December 5, 2014. On December 22, 2014, Willis filed a motion to amend the court's December 5 order to certify an interlocutory appeal to the Fifth Circuit, and, on December 23, 2014, Willis filed a motion to amend and, to the extent necessary, reconsider the court's December 5 order. On January 16, 2015, the defendants answered the First Amended Complaint. On January 28, 2015, the court denied Willis's motion to amend the court's December 5 order to certify an interlocutory appeal to the Fifth Circuit. On February 4, 2015, the court granted Willis's motion to amend and, to the extent necessary, reconsider the December 5 order.

As discussed above, on March 25, 2014, the parties in *Troice* and *Janvey* stipulated to the consolidation of the two actions for pre-trial purposes under Rule 42(a) of the Federal Rules of Civil Procedure. On March 28, 2014, the Court 'so ordered' that stipulation and, thus, consolidated *Troice* and *Janvey* for pre-trial purposes under Rule 42(a).

On January 26, 2015, the court entered an order setting a schedule for briefing and discovery regarding the plaintiffs' motion for class certification, which schedule, among other things, provided for the submission of the plaintiffs' motion for class certification (following the completion of briefing and discovery) on July 20, 2015. By letter dated March 4, 2015, the parties requested that the court consolidate the scheduling orders entered in *Troice* and *Janvey* to provide for a class certification submission date of April 20, 2015 in both cases. On March 6, 2015, the court entered an order consolidating the scheduling orders in *Troice* and *Janvey*, providing for a class certification submission date of April 20, 2015 in both cases, and vacating the July 20, 2015 class certification submission date in the original *Janvey* scheduling order.

On November 17, 2015, Willis Group Holdings plc withdrew its motion to dismiss for lack of personal jurisdiction.

On March 31, 2016, the parties in the *Troice* and *Janvey* actions entered into a settlement in principle that is described in more detail below.

- *Martin v. Willis of Colorado, Inc., et al.*, Case No. 201652115, was filed on August 5, 2016, on behalf of one Stanford investor against Willis Group Holdings plc, Willis Limited, Willis of Colorado, Inc. and the same Willis associate in Texas state court (Harris County). The complaint alleges claims under Texas statutory and common law and seeks actual damages of less than $100,000, exemplary damages, attorneys' fees and costs. On September 12, 2016, the plaintiff filed an amended complaint, which added five more Stanford investors as plaintiffs and seeks damages in excess of $1 million. The defendants have not yet responded to the amended complaint in *Martin.*

- *Abel, et al. v. Willis of Colorado, Inc.*, et al., C.A. No. 3:16-cv-2601, was filed on September 12, 2016, on behalf of more than 300 Stanford investors against Willis Group Holdings plc, Willis Limited, Willis of Colorado, Inc. and the same Willis associate, also in the Northern District of Texas. The complaint alleges claims under Texas statutory and common law and seeks actual damages in excess of $135 million, exemplary damages, attorneys' fees and costs. On November 10, 2016, the plaintiffs filed an amended complaint, which, among other things, added several more Stanford investors as plaintiffs. The defendants have not yet responded to the complaint in *Abel.*

The plaintiffs in *Janvey* and *Troice* and the other actions above seek overlapping damages, representing either the entirety or a portion of the total alleged collective losses incurred by investors in Stanford certificates of deposit, notwithstanding the fact that Legacy Willis acted as broker of record for only a portion of time that Stanford issued certificates of deposit. In the fourth quarter of 2015, the Company recognized a $70 million litigation provision for loss contingencies relating to the Stanford matters based on its ongoing review of a variety of factors as required by accounting standards.

On March 31, 2016, the Company entered into a settlement in principle for $120 million relating to this litigation, and increased its provisions by $50 million during that quarter for this adjusting subsequent event in the Consolidated Financial Statements for 2015. This increase in the litigation provision was recognized in Annual Form 10-K for the following year, 2016. Further details on this settlement in principle are given below.

The settlement is contingent on a number of conditions, including court approval of the settlement and a bar order prohibiting any continued or future litigation against Willis related to Stanford, which may not be given. Therefore, the ultimate resolution of these matters may differ from the amount provided for. The Company continues to dispute the allegations and, to the extent litigation proceeds, to defend the lawsuits vigorously.

14. COMMITMENTS AND CONTINGENCIES (continued)

*Settlement***.** On March 31, 2016, the Company entered into a settlement in principle, as reflected in a Settlement Term Sheet, relating to the Stanford litigation matter. The Company agreed to the Settlement Term Sheet to eliminate the distraction, burden, expense and uncertainty of further litigation. In particular, the settlement and the related bar orders described below, if upheld through any appeals, would enable the Company (a newly-combined firm) to conduct itself with the bar orders' protection from the continued overhang of matters alleged to have occurred approximately a decade ago. Further, the Settlement Term Sheet provided that the parties understood and agreed that there is no admission of liability or wrongdoing by the Company. The Company expressly denies any liability or wrongdoing with respect to the matters alleged in the Stanford litigation.

On or about August 31, 2016, the parties to the settlement signed a formal Settlement Agreement memorializing the terms of the settlement as originally set forth in the Settlement Term Sheet. The parties to the Settlement Agreement are Ralph S. Janvey (in his capacity as the Court-appointed receiver (the 'Receiver') for The Stanford Financial Group and its affiliated entities in receivership (collectively, 'Stanford')), the Official Stanford Investors Committee, Samuel Troice, Martha Diaz, Paula Gilly-Flores, Punga Punga Financial, Ltd., Manuel Canabal, Daniel Gomez Ferreiro and Promotora Villa Marina, C.A. (collectively, 'Plaintiffs'), on the one hand, and Willis Towers Watson Public Limited Company (formerly Willis Group Holdings Public Limited Company), Willis Limited, Willis North America Inc., Willis of Colorado, Inc. and the Willis associate referenced above (collectively, 'Defendants'), on the other hand. Under the terms of the Settlement Agreement, the parties agreed to settle and dismiss the *Janvey* and *Troice* actions (collectively, the 'Actions') and all current or future claims arising from or related to Stanford in exchange for a one-time cash payment to the Receiver by the Company of $120 million to be distributed to all Stanford investors who have claims recognized by the Receiver pursuant to the distribution plan in place at the time the payment is made.

The Settlement Agreement also provides the parties' agreement to seek the Court's entry of bar orders prohibiting any continued or future litigation against the Defendants and their related parties of claims relating to Stanford, whether asserted to date or not. The terms of the bar orders therefore would prohibit all Stanford-related litigation described above, and not just the Actions, but including any pending matters and any actions that may be brought in the future. Final Court approval of these bar orders is a condition of the settlement.

On September 7, 2016, Plaintiffs filed with the Court a motion to approve the settlement. On October 19, 2016, the Court preliminarily approved the settlement. Several of the plaintiffs in the other actions above objected to the settlement, and a hearing to consider final approval of the settlement was held on January 20, 2017, after which the Court reserved decision. On August 23, 2017, the Court approved the settlement, including the bar orders. Several of the objectors have since appealed the settlement approval and bar orders to the Fifth Circuit. The appeals are currently pending. The Company expects the briefing in connection with the appeals to be completed by late April 2018. There is no date certain for when the appeal will be decided. The Company will not make the $120 million settlement payment unless and until the appeals are decided in its favor and the settlement is not subject to any further appeal.

City of Houston

On August 1, 2014, the City of Houston ('plaintiff') filed suit against Legacy Towers Watson in the United States District Court for the Southern District of Texas, Houston Division. On March 8, 2016, plaintiff filed its First Amended Complaint.

In the amended complaint, plaintiff alleges various deficiencies in pension actuarial work-product and advice stated to have been provided by Legacy Towers Watson's predecessor firm, Towers Perrin, in its capacity as principal actuary to the Houston Firefighters' Relief and Retirement Fund (the 'Fund'). Towers Perrin is stated to have acted in this capacity between "the early 1980s until 2003."

In particular, the amended complaint alleges "misrepresentations and miscalculations" in valuation reports allegedly issued by Towers Perrin from 2000 through 2002 upon which plaintiff claims to have relied. Plaintiff asserts that Towers Perrin assigned a new team of actuaries to the Fund in 2002 "to correct Towers' own earlier mistakes" and that the new team "altered" certain calculations which "increased the actuarial accrued liability by $163 million." Plaintiff claims that the reports indicated that the City's minimum contribution percentages to the Fund would remain in place through at least 2019 and that existing benefits under the Fund could be increased, and new benefits could be added, without increasing plaintiff's financial burden, and without increasing plaintiff's rate of annual contributions to the Fund. The amended complaint alleges that plaintiff relied on these reports when supporting a new benefits package for the Fund. These reports, and other advice, are alleged, among other things, to have been negligent, to have misrepresented the present and future financial condition of the Fund and the contributions required to be made by plaintiff to support those benefits. Plaintiff asserts that, but for Towers Perrin's alleged negligence and misrepresentations, plaintiff would not have supported the benefits increase, and that such increased benefits would not and could not have been approved or enacted. It is further asserted that Towers Perrin's alleged "negligence and

14. COMMITMENTS AND CONTINGENCIES (continued)

misrepresentations damaged the City to the tune of tens of millions of dollars in annual contributions.” The amended complaint seeks the award of punitive damages, actual damages, exemplary damages, special damages, attorney’s fees and expenses, costs of suit, pre- and post- judgment interest at the maximum legal rate, and other unspecified legal and equitable relief.

On October 10, 2014, Legacy Towers Watson filed a motion to dismiss plaintiff’s entire complaint on the basis that the complaint fails to state a claim upon which relief can be granted. On November 21, 2014, the City filed its response in opposition to Legacy Towers Watson’s motion to dismiss. On September 23, 2015, Legacy Towers Watson’s motion to dismiss was denied by the United States District Court for the Southern District of Texas, Houston Division. The court entered a Scheduling Order setting trial for May 30, 2017. On June 20, 2016, the Court entered a Second Amended Scheduling Order setting trial for October 31, 2017. On March 27, 2017, the Court entered a Third Amended Scheduling Order setting trial for January 16, 2018.

On May 8, 2017, Legacy Towers Watson received the City’s expert’s damages report, which asserted the City has incurred actual damages of approximately $430 million through July 1, 2017, and will incur future damages that have a present value of approximately $400 million as of July 1, 2017 if the Fund pension benefits remain unchanged. On June 30, 2017, Legacy Towers Watson served its expert reports in rebuttal to the City’s expert reports. Legacy Towers Watson’s experts concluded that Legacy Towers Watson’s work was reasonable and conformed with the actuarial standards of practice, and that Legacy Towers Watson did not cause any damages to the City. Legacy Towers Watson’s experts also concluded that the City’s damages model is flawed.

On January 9, 2018, Legacy Towers Watson and the City participated in a mediation and reached a settlement in principle. Pursuant to the settlement in principle, in exchange for a dismissal of the claims of the City related to Legacy Towers Watson’s pension actuarial advice to the Fund, and any potential claims the City may have related to Legacy Towers Watson’s pension actuarial advice to the Houston Municipal Employees Pension System and the Houston Police Officers Pension System, Legacy Towers Watson would pay a total of $40 million. The Company accrued $11 million during the three months ended December 31, 2017 in respect of this settlement. This settlement in principle remains subject to completion of settlement documentation between the City and Legacy Towers Watson and to approval by the City of Houston City Council.

In the event the settlement documentation is not finalized by the City and Legacy Towers Watson or the settlement is not approved by the City of Houston City Council, the Company is currently unable to provide an estimate of the reasonably possible loss or range of loss. The Company disputes the allegations, and in the event the settlement is not finalized or approved, the Company intends to defend the lawsuit vigorously.

Meriter Health Services

On January 6, 2015, Meriter Health Services, Inc. (‘Meriter’), plan sponsor of the Meriter Health Services Employee Retirement Plan (the ‘Plan’) filed a complaint in Wisconsin state court against Towers Watson Delaware Inc. (‘TWDE’), a wholly-owned subsidiary of the Company, and against its former lawyers, individual actuaries, and insurers.

In the Third Amended Complaint, served on April 12, 2016, Meriter alleged that Towers, Perrin, Forster & Crosby, Inc. (‘TPFC’) and Davis, Conder, Enderle & Sloan, Inc. (‘DCES’), and other entities and individuals, including Meriter’s former lawyers, acted negligently concerning the benefits consulting advice provided to Meriter; these allegations concern matters including TPFC and the lawyers’ involvement in the Plan design and drafting of the Plan document in 1987 by TPFC, and DCES and the lawyers’ Plan review, Plan redesign, Plan amendment, and drafting of ERISA section 204(h) notices in the early 2000s. Additionally, Meriter asserted that TPFC, DCES, and the individual actuary defendants breached alleged fiduciary duties to advise Meriter regarding the competency of Meriter’s then ERISA counsel. Meriter has asserted causes of action for contribution, indemnity, and equitable subrogation related to amounts paid to settle a class action lawsuit related to the Plan that was filed by Plan participants against Meriter in 2010, alleging a number of ERISA violations and related claims. Meriter settled that lawsuit in 2015 for $82 million. In this litigation, Meriter sought damages in a revised amount of approximately $190 million which includes amounts it claims to have paid to settle and defend the class action litigation, and amounts it claims to have incurred as a result of improper plan design. Meriter sought to recover these alleged damages from TWDE and the other defendants.

On January 12, 2016, TWDE and the other defendants filed a motion for partial summary judgment seeking dismissal of Meriter’s negligence and breach of fiduciary duty claims. On April 18, 2016, TWDE and the other defendants filed a motion to dismiss the contribution, indemnification, and equitable subrogation claims. On May 4, 2016, the parties appeared for oral argument on the motion for partial summary judgment, which the court granted in part and denied in part. The court dismissed the fiduciary duty claims, but not the negligence claims. Meriter subsequently moved for reconsideration of the dismissal of its

14. COMMITMENTS AND CONTINGENCIES (continued)

breach of fiduciary duty claims, which motion was denied as to TWDE on August 16, 2016. On June 22, 2016, the court granted in part TWDE's motion to dismiss, and dismissed the contribution and equitable subrogation claims, but denied the motion as to Meriter's indemnification claim without prejudice to the right of any defendant to raise the issue again by later motion. On February 28, 2017, TWDE and the other defendants filed a motion to amend the scheduling order. The motion was granted on March 9, 2017, and the trial was re-scheduled to begin on December 11, 2017.

On June 15, 2017, the Company and Meriter agreed to a settlement to resolve all claims in this case against the actuary defendants. The terms of the settlement are confidential. The settlement amount is not materially in excess of previously accrued amounts. As a result of the settlement, the Court, on July 27, 2017, dismissed all of Meriter's claims in this case, in their entirety, with prejudice.

Elma Sanchez, et. al

On August 6, 2013, three individual plaintiffs filed a putative class action suit against the California Public Employees' Retirement System ('CalPERS') in Los Angeles County Superior Court. On January 10, 2014, plaintiffs filed an amended complaint, which added as defendants several members of CalPERS' Board of Administration and three Legacy Towers Watson entities, Towers Watson & Co., Towers Perrin, and Tillinghast-Towers Perrin ('Towers Perrin').

Plaintiffs' claims all relate to a self-funded, non-profit Long Term Care Program that CalPERS established in 1995 (the 'LTC Program'). Plaintiffs' claims seek unspecified damages allegedly resulting from CalPERS' 2012 decision to implement in 2015 and 2016 an 85 percent increase in the premium rates of certain of the long term care policies it issued between 1995 and 2004 (the '85% Increase').

The amended complaint alleges claims against CalPERS for breach of contract and breach of fiduciary duty. It also includes a single cause of action against Towers Perrin for professional negligence relating to actuarial services Towers Perrin provided to CalPERS relating to the LTC Program between 1995 and 2004.

Plaintiffs principally allege that CalPERS mismanaged the LTC Program and its investment assets in multiple respects and breached its contractual and fiduciary duties to plaintiffs and other class members by impermissibly imposing the 85% Increase to make up for investment losses. Plaintiffs also allege that Towers Perrin recommended inadequate initial premium rates at the outset of the LTC Program and used unspecified inappropriate assumptions in its annual valuations for CalPERS. Plaintiffs claim that Towers Perrin's allegedly negligent acts and omissions, prior to the end of its retainer in 2004, contributed to the need for the 85% Increase.

In May 2014, the court denied the motions to dismiss filed by CalPERS and Towers Perrin addressed to the sufficiency of the complaint. On January 28, 2016, the court granted plaintiffs' motion for class certification. The certified class as currently defined includes those long term care policy holders whose policies were "subject to" the 85% Increase. The court thereafter set an October 2, 2017 trial date.

In May 2016, the case was reassigned to a different judge. The court agreed that Towers Perrin may file a motion for summary judgment which was initially scheduled to be heard on February 3, 2017. The motion was then fully briefed, and the hearing date was thereafter moved to March 8, 2017.

On March 1, 2017, Towers Perrin and Plaintiffs participated in a mediation and reached a settlement in principle. Pursuant to the settlement in principle, in exchange for a dismissal of the claims of all class members and a release of Towers Perrin by all class members, Towers Perrin would pay a total of $9.75 million into an interest-bearing settlement fund, to be used to reimburse class counsel's costs, and for later distribution to class members as approved by the Court. This proposed settlement amount was accrued during the three months ended March 31, 2017. A formal settlement agreement was submitted to the Court for its preliminary approval on May 18, 2017. On October 25, 2017, the Court preliminarily approved the settlement and granted the Company's unopposed motion for a good faith settlement determination. At the hearing on final approval held on January 26, 2018, the Court granted final approval of the settlement. Class members who properly objected to the settlement have standing to appeal within sixty days of the date notice of entry of judgment is made.

Based on the stage of the proceedings, in the event the final approval of the settlement were to be reversed on appeal, the Company is unable to provide an estimate of the reasonably possible loss or range of loss in respect of the plaintiffs' complaint.

14. COMMITMENTS AND CONTINGENCIES (continued)

European Commission and FCA Regulatory Investigations

In April 2017, the Financial Conduct Authority ('FCA') informed Willis Limited, our U.K. broking subsidiary, that it had opened a formal investigation into possible agreements/concerted practices in the aviation broking sector.

In October 2017, the European Commission ('Commission') disclosed to us that it has initiated civil investigation proceedings in respect of a suspected infringement of E.U. competition rules involving several broking firms, including our principal U.K. broking subsidiary and one of its parent entities. In particular, the Commission has stated that the civil proceedings concern the exchange of commercially sensitive information between competitors in relation to aviation and aerospace insurance and reinsurance broking products and services in the European Economic Area, as well as possible coordination between competitors. The initiation of proceedings does not mean there has been a finding of infringement, merely that the Commission will investigate the case.

Now that the Commission has initiated proceedings, the FCA has closed its competition act investigation. However, it retains its jurisdiction over broking regulatory matters arising from the conduct being investigated.

Given the status of the investigation, the Company is currently unable to assess the terms on which this investigation, or any other regulatory matter or civil claims emanating from the conduct being investigated, will be resolved, and thus is unable to provide an estimate of the reasonably possible loss or range of loss.

U.K. Investment Consulting Investigation

In September 2017, the FCA announced that it would make a market investigation referral with respect to the investment consulting industry to the U.K. Competition & Markets Authority (the 'CMA'). The CMA then commenced a market investigation, and the Company is currently cooperating with the investigation.

The CMA investigation of the investment consulting market is expected to take at least 18 months to conclude. Provisional findings should be issued in the third quarter of 2018. Given the early stage of the investigation, the Company is currently unable to assess whether the CMA will find any adverse effects on competition, and, if the CMA does find any adverse effects on competition, what remedies it may impose on the industry. Given this, the Company is unable to provide an estimate of the reasonably possible loss or range of loss.

London Wholesale Insurance Broker Market Study

In November 2017, the FCA published its Terms of Reference for its Market Study into insurance broking activities in the London Wholesale Market including market power, conflicts of interest and broker conduct. This is an industry-wide inquiry and not particular to the Company. The FCA is using its powers under the UK Financial Services and Markets Act 2000 and will collate information and aims to issue an interim report in or about the fourth quarter of 2018. The Study is expected to take 2 years to conclude. Extensive data requests have been received by two of the Company's subsidiaries with phased response times from March to April 2018. It is possible that outcomes of the Study could include new rules, changes to market practices, referral to the U.K. Competition & Markets Authority for a market investigation, and/or individual firm investigations on specific issues. Given the early stage of the Study, the Company is currently unable to assess whether the FCA will find that competition in the sector is working in the interests of clients or not, and, if the FCA does find that competition in the sector is not working in the interests of clients, what remedies it may impose on the industry or on any industry participants. Given this, the Company is unable to provide an estimate of the reasonably possible loss or range of loss.

15. SUPPLEMENTARY INFORMATION FOR CERTAIN BALANCE SHEET ACCOUNTS

Additional details of specific balance sheet accounts are detailed below.

Accounts receivable, net consists of the following:

	December 31, 2017	December 31, 2016
Billed, net of allowance for doubtful debts of $45 million and $40 million	$ 1,933	$ 1,789
Accrued and unbilled, at estimated net realizable value	313	291
Accounts receivable, net	$ 2,246	$ 2,080

15. SUPPLEMENTARY INFORMATION FOR CERTAIN BALANCE SHEET ACCOUNTS (continued)

Accounts receivable are stated at estimated net realizable values. The provisions, shown below as of the end of each period, are recorded as the amounts considered by management to be sufficient to meet probable future losses related to uncollectible accounts.

	December 31, 2017	December 31, 2016	December 31, 2015
Balance at beginning of year	$ 40	$ 22	$ 12
Additions charged to costs and expenses	17	36	5
Charges to other accounts - acquisitions	—	8	11
Deductions/other movements	(9)	(27)	(7)
Foreign exchange	(3)	1	1
Balance at end of year	$ 45	$ 40	$ 22

Other current assets consist of the following:

	December 31, 2017	December 31, 2016
Prepayments and accrued income	$ 132	$ 131
Derivatives and investments	29	32
Deferred compensation plan assets	21	15
Retention incentives	7	7
Corporate income and other taxes	170	97
Other current assets	71	55
Total other current assets	$ 430	$ 337

Other non-current assets consist of the following:

	December 31, 2017	December 31, 2016
Prepayments and accrued income	$ 18	$ 15
Deferred compensation plan assets	135	111
Accounts receivable, net	33	27
Other investments	26	30
Other non-current assets	158	96
Total other non-current assets	$ 370	$ 279

Other current liabilities consist of the following:

	December 31, 2017	December 31, 2016
Accounts payable	$ 136	$ 117
Other taxes payable	47	46
Contingent and deferred consideration on acquisition	55	53
Payroll-related liabilities	209	200
Derivatives	32	80
Third party commissions	172	184
Other current liabilities	110	151
Total other current liabilities	$ 761	$ 831

15. SUPPLEMENTARY INFORMATION FOR CERTAIN BALANCE SHEET ACCOUNTS (continued)

Other non-current liabilities consist of the following:

	December 31, 2017	December 31, 2016
Incentives from lessors	$ 138	$ 133
Deferred compensation plan liability	135	111
Contingent and deferred consideration on acquisitions	41	89
Derivatives	5	51
Other non-current liabilities	225	148
Total other non-current liabilities	$ 544	$ 532

16. EMPLOYEES

The average number of persons, including Executive Directors, employed by the Company are approximated below:

	Year ended December 31, 2017	Year ended December 31, 2016 (i)
	(average number)	(average number)
Human Capital and Benefits	12,800	12,300
Corporate Risk and Broking	14,600	12,700
Investment, Risk and Reinsurance	4,900	4,600
Benefits Delivery and Administration (formerly Exchange Solutions)	3,200	4,700
Total operating segments	35,500	34,300
Corporate and Other	7,900	7,200
Total average number of employees for the year (ii)	43,400	41,500

(i) As discussed in Note 4 to these Consolidated Financial Statements, new reportable operating segments were introduced in 2016 following the Merger. Old Legacy Willis operating segments ceased to be used, with relevant employees reallocated either to the new operating segments (excluding Exchange Solutions) or (for global shared service center staff) to Corporate and Other.

(ii) Based on the average for each month in the financial year.

	Year ended December 31, 2015
	(average number)
Willis GB	2,600
Willis Capital, Wholesale & Reinsurance	2,400
Willis North America	5,500
Willis International	6,900
Total operating segments	17,400
Corporate and Other	1,900
Total average number of employees for the year (i)	19,300

(i) Based on the average for each month in the financial year.

16. EMPLOYEES (continued)

Staff costs were as follows:

	Years ended December 31,		
	2017	2016	2015 [iii]
Salaries and other compensation [i]	$ 4,292	$ 4,162	$ 2,098
Share-based compensation	67	123	64
Severance costs [ii]	15	8	7
Social security costs	360	346	150
Retirement benefits — defined benefit plan income	(91)	(93)	(78)
Retirement benefits — defined contribution plan expense	102	100	62
Total salaries and benefits expense	$ 4,745	$ 4,646	$ 2,303
Restructuring costs termination benefits	46	68	36
Transaction and integration expenses	38	1	3
Total salaries and benefits expense, including termination benefits	$ 4,829	$ 4,715	$ 2,342
Staff costs capitalized	102	96	8
Total staff costs	$ 4,931	$ 4,811	$ 2,350

(i) Salaries and other compensation includes: $3,131 million salaries and directors' fees, $1,155 million benefits and incentive awards and $6 million amortization of cash retention awards (2016: $3,066 million, $1,086 million and $10 million, respectively; 2015: $1,528 million, $559 million and $11 million, respectively).

(ii) Severance costs have arisen in the normal course of business.

(iii) For 2015 $3 million was reclassified from Salary and benefits to Transaction and integration expenses in order to present information on a comparable basis.

17. DIRECTORS' AND AUDITOR'S REMUNERATION

Directors' remuneration set forth below represents remuneration for services to Willis Towers Watson.

Directors' remuneration in respect of services to the Parent Company are included and also disclosed in Note 4 to the Parent Company Financial Statements.

17. DIRECTORS' AND AUDITOR'S REMUNERATION (continued)

An analysis of directors' remuneration is as follows:

	Years ended December 31,		
	2017	2016	2015
Aggregate emoluments in respect of qualifying services (i) (ii)			
Director services (iii)	$ 4	$ 3	$ 3
Managerial services (iv)	12	13	4
Total emoluments	$ 16	$ 16	$ 7
Aggregate long term incentive scheme amounts in respect of qualifying services (excluding share options) - managerial services (iv)	—	—	4
Aggregate share options in respect of qualifying services - managerial services (iv)	—	—	1
Aggregate termination payments - managerial services (iv)	—	14	—
Total directors' remuneration (v) (vi) (vii) (viii)	$ 16	$ 30	$ 12

(i) Emoluments information includes salaries, fees, bonuses, any sums paid by way of expenses allowance in so far as those sums are chargeable to income tax, and the estimated money value of any other benefits received otherwise than in cash, including vested share awards but excluding the value of any unvested share awards.

(ii) In connection with the Company's redomicile to Ireland, the Company agreed to indemnify the directors in the event they may need to pay additional taxes as a result of the redomicile. The above amounts reflect gross-up payments made to the non-employee directors in connection with taxes paid by them. The Board agreed to eliminate tax reimbursements for the 2017 fiscal year and beyond. The Company reimburses directors for reasonable travel and related expenses incurred in connection with their participation in Board or Board committee meetings. The Company also hired auditors in Dublin, Ireland to prepare the directors' Irish 2017 tax returns, whose fees are expected to be less than $50,000 in the aggregate.

(iii) Includes director's fees of £43,333 received by Brendan R. O'Neill in connection with his appointment as a director of a subsidiary of the Company (2016: nil; 2015: £50,000 received by Sir Jeremy Hanley, while he was a director of the Company).

(iv) Directors' remuneration for managerial services represents remuneration of John J. Haley (CEO) for services to Willis Towers Watson during the year (2016: John J. Haley and Dominic J. Casserley, former CEO of Legacy Willis and Deputy CEO and President of Willis Towers Watson; 2015: Dominic J. Casserley only).

(v) Defined contribution retirement scheme contributions treated as paid or payable during 2017 were $241,030, in respect of the qualifying managerial services of one director (2016: $85,617, in respect of two directors). The increase in the actuarial present value of accumulated benefits under defined benefit retirement schemes during 2017 was $127,370, in respect of the qualifying managerial services of one director (2016: $653,345, in respect of one director).

(vi) In aggregate, directors made $nil gains on the exercise of share options during 2017 and 2016.

(vii) The amounts shown include all amounts paid or payable to a person connected with a director.

(viii) In 2017, 2016 and 2015 no additional amounts were paid or payable to past directors (i.e. directors who resigned or ceased to hold office before the start of the respective financial year) in respect of termination or retirement benefits.

An analysis of auditor's remuneration (including remuneration to Deloitte LLP's affiliates) is as follows:

	Years ended December 31,		
	2017	2016	2015
Audit of the Company's consolidated financial statements	$ 15	$ 17	$ 6
Other assurance services	3	2	3
Tax advisory services	—	—	—
Other non-audit services	—	—	1
Total auditor's remuneration (i)	$ 18	$ 19	$ 10

(i) Includes out-of-pocket expenses.

18. OTHER EXPENSE/(INCOME), NET

Other expense/(income), net consists of the following:

	Years ended December 31,		
	2017	2016	2015
Gain on disposal of operations	$ (13)	$ (2)	$ (25)
Gain on re-measurement of equity interests (i)	—	—	(59)
Impact of Venezuelan currency devaluation (ii)	2	—	30
Foreign exchange loss/(gain)	72	29	(1)
Other expense/(income), net	$ 61	$ 27	$ (55)

(i) Prior to the acquisition date, the Company accounted for its 30% interest in Gras Savoye as an equity-method investment. The acquisition-date fair value of the previously held equity interest was $158 million and is included in the measurement of the consideration transferred. The Company recognized a gain of $59 million as a result of remeasuring its prior equity interest in Gras Savoye held before the business combination.

(ii) On December 31, 2015 the Company began using the SIMADI rate for the Venezuelan bolivar (approximately Venezuelan bolivars 198.7 = U.S. dollar 1) instead of the SICAD I auction rate (approximately Venezuelan bolivars 13.5 = U.S. dollar 1) to translate on Venezuelan retail operations. In March 2016, the DICOM mechanism replaced the SIMADI mechanism. At December 31, 2017, the DICOM rate was approximately Venezuelan bolivars 3,345 = U.S. dollar 1. The Company does not expect the additional devaluation which occurred in January 2018 to be material.

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of other comprehensive income/(loss) are as follows:

	December 31, 2017			December 31, 2016			December 31, 2015		
	Before tax amount	Tax	Net of tax amount	Before tax amount	Tax	Net of tax amount	Before tax amount	Tax	Net of tax amount
Other comprehensive income/(loss):									
Foreign currency translation	$ 295	$ —	$ 295	$ (353)	$ —	$ (353)	$ (133)	$ —	$ (133)
Defined pension and post-retirement benefits	3	11	14	(553)	114	(439)	233	(53)	180
Derivative instruments	90	(15)	75	(87)	12	(75)	(35)	7	(28)
Other comprehensive income/(loss)	388	(4)	384	(993)	126	(867)	65	(46)	19
Less: Other comprehensive (income)/loss attributable to minority interests	(13)	—	(13)	20	—	20	10	—	10
Other comprehensive income/(loss) attributable to Willis Towers Watson	$ 375	$ (4)	$ 371	$ (973)	$ 126	$ (847)	$ 75	$ (46)	$ 29

19. ACCUMULATED OTHER COMPREHENSIVE LOSS (continued)

Changes in the components of accumulated other comprehensive loss, net of tax, are included in the following table. This table excludes amounts attributable to minority interests, which are not material for further disclosure.

	Foreign currency translation (i)	Cash flow hedges (i)	Defined pension and post-retirement benefit costs (ii)	Total
Balance, January 1, 2015	$ (191)	$ 18	$ (893)	$ (1,066)
Other comprehensive (loss)/income before reclassifications	(123)	(31)	158	4
Loss reclassified from accumulated other comprehensive loss (net of income tax expense of $8)	—	3	22	25
Net other comprehensive (loss)/income	(123)	(28)	180	29
Balance, December 31, 2015	$ (314)	$ (10)	$ (713)	$ (1,037)
Other comprehensive loss before reclassifications	(336)	(110)	(483)	(929)
Loss reclassified from accumulated other comprehensive loss (net of income tax benefit of $5)	—	38	44	82
Net other comprehensive loss	(336)	(72)	(439)	(847)
Balance, December 31, 2016	$ (650)	$ (82)	$ (1,152)	$ (1,884)
Other comprehensive income/(loss) before reclassifications	285	28	(26)	287
Loss reclassified from accumulated other comprehensive loss (net of income tax benefit of $18)	—	44	40	84
Net other comprehensive income	285	72	14	371
Balance, December 31, 2017	$ (365)	$ (10)	$ (1,138)	$ (1,513)

(i) Reclassification adjustments from accumulated other comprehensive income are included in Other expense/(income), net in the accompanying consolidated profit and loss account. See Note 9 to these Consolidated Financial Statements for additional details regarding the reclassification adjustments for the hedge settlements.

(ii) Reclassification adjustments from accumulated other comprehensive loss are included in the computation of net periodic pension cost (see Note 12 to these Consolidated Financial Statements) which is included in Salaries and benefits in the accompanying consolidated profit and loss account.

20. EQUITY AND MINORITY INTERESTS

The effects on equity of changes in Willis Towers Watson's ownership interests in its subsidiaries are as follows:

	Years ended December 31,		
	2017	2016	2015
Net income attributable to Willis Towers Watson	$ 568	$ 450	$ 343
Transfers to/(from) minority interests:			
Increase/(decrease) in Willis Towers Watson's paid-in capital for reductions in/(additional) minority interests	—	7	(53)
Net transfers to/(from) minority interests	—	7	(53)
Change from net income attributable to Willis Towers Watson and transfers to/(from) minority interests	$ 568	$ 457	$ 290

21. SHARE-BASED COMPENSATION

Plan Summaries

On December 31, 2017, the Company had a number of open share-based compensation plans, which provide for the grant of time-based and performance-based options, time-based and performance-based restricted stock units, and various other share-based grants to employees. All of the Company's share-based compensation plans under which any options, restricted stock units or other share-based grants are outstanding as of December 31, 2017 are described below. The compensation cost that has been recognized for these plans for the years ended December 31, 2017, 2016 and 2015 was $67 million, $123 million and $64 million, respectively. The total income tax benefit recognized in the consolidated profit and loss account for share-based compensation arrangements for the years ended December 31, 2017, 2016, and 2015 was $22 million, $35 million and $15 million, respectively.

2012 Equity Incentive Plan

This plan, which was established on April 25, 2012, provides for the granting of incentive stock options, time-based or performance-based non-statutory stock options, share appreciation rights, restricted shares, time-based or performance-based RSUs, performance-based awards and other share-based grants or any combination thereof (collectively referred to as 'Awards') to employees, officers, non-employee directors and consultants ('Eligible Individuals') of the Company. The board of directors also adopted a sub-plan under the 2012 plan to provide an employee sharesave scheme in the United Kingdom.

There were approximately 7 million shares remaining available for grant under this plan as of December 31, 2017. Options are exercisable on a variety of dates, including from the second, third, fourth or fifth anniversary of grant. Unless terminated sooner by the board of directors, the 2012 Plan will expire 10 years after the date of its adoption. That termination will not affect the validity of any grants outstanding at that date.

Towers Watson Share Plans

In January 2016, in connection with the Merger, we assumed the Towers Watson & Co. 2009 Long-Term Incentive Plan ('LTIP') and converted the outstanding unvested restricted stock units and options into Willis Towers Watson RSUs and options using a conversion ratio stated in the Merger Agreement. We determined the fair value of the portion of the outstanding RSUs and options related to pre-acquisition employee service using the straight-line methodology from date of grant to the acquisition date to be $37 million, which was added to the transaction consideration. The fair value of the remaining portion of RSUs and options related to the post-acquisition employee services was $45 million, and is being recorded over the future vesting periods. For the years ended December 31, 2017 and 2016, we recorded $11 million and $31 million of non-cash stock based compensation, respectively.

The acquired awards include performance-vested RSUs. Under the RSU agreement, participants become vested in a number of RSUs based on the achievement of specified levels of financial performance during the performance period set forth in the Merger Agreement, provided that the participant remains in continuous service with us through the end of the performance period. Dividend equivalents will accrue on these RSUs and vest to the same extent as the underlying shares. The Compensation Committee of the board of directors may provide for continuation of vesting of RSUs upon an employee's termination under certain circumstances such as qualified retirement. The definition of qualified retirement is age 55 with 15 years of service with the Company and a minimum of one year service in the performance period. Due to the terms of the RSU agreement, the achievement of the level of financial performance is determined at the higher of 100% or the level attained at the time of the Merger.

The Company does not intend to grant future awards under the 2009 LTIP plan.

Employee Stock Purchase Plans

The Company adopted the Willis Group Holdings 2010 North America Employee Stock Purchase Plan, which expires on May 31, 2020. These plans provide certain eligible employees in the United States and Canada with the ability to contribute payroll deductions to the purchase of Willis Towers Watson ordinary shares at the end of each offering period.

21. SHARE-BASED COMPENSATION (continued)

Share-based Compensation Valuation Assumptions

Options

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's shares. The Company uses the simplified method set out in ASC 718 – *Compensation – Stock Compensation* to derive the expected term of options granted as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions noted in the table below represent the weighted-average of each assumption for each grant during the year.

	Years ended December 31,		
	2017	**2016**	**2015**
Expected volatility	19.8%	21.0%	17.4%
Expected dividends	1.4%	1.5%	2.7%
Expected life (years)	4.2	2.7	4.0
Risk-free interest rate	1.6%	0.7%	1.5%

Share-based Compensation Award Activity

Options

Classification of options as time-based or performance-based is dependent on the original terms of the award. Performance conditions on the majority of options have been met. A summary of option activity under the plans at December 31, 2017, and changes during the year then ended is presented below:

	Options (thousands)	Weighted-Average Exercise Price[(i)]	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Time-based stock options				
Balance as of December 31, 2016	1,201	$ 102.38		
Granted	38	$ 143.60		
Exercised	(448)	$ 100.61		
Forfeited	(37)	$ 103.22		
Balance as of December 31, 2017	754	$ 105.47	4 years	$ 34
Options vested or expected to vest at December 31, 2017	751	$ 105.17	4 years	$ 34
Options exercisable at December 31, 2017	581	$ 101.43	4 years	$ 29
Performance-based stock options				
Balance as of December 31, 2016	883	$ 101.95		
Exercised	(182)	$ 87.49		
Forfeited	(21)	$ 82.90		
Balance as of December 31, 2017	680	$ 106.42	4 years	$ 30
Options vested or expected to vest at December 31, 2017	680	$ 106.42	4 years	$ 30
Options exercisable at December 31, 2017	190	$ 95.36	1 year	$ 11

(i) Certain options are exercisable in Pounds sterling and are converted to dollars using the exchange rate at December 31, 2017.

The weighted-average grant-date fair values of time-based options granted during the years ended December 31, 2017, 2016 and 2015 were $27.69, $16.88 and $14.77, respectively. The total intrinsic values of options exercised during the years ended December 31, 2017, 2016 and 2015 were $19 million, $25 million and $17 million, respectively. At December 31, 2017 there was $2 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements under time-based stock option plans; that cost is expected to be recognized over a weighted-average period of 2.4 years.

21. SHARE-BASED COMPENSATION (continued)

There were no performance-based options granted during the three years ended December 31, 2017, 2016 or 2015. However, 520,295 performance-based options were acquired during the year ended December 31, 2016, at which time the performance conditions were met. The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was $10 million, $9 million and $25 million, respectively. At December 31, 2017 there remains an immaterial amount of total unrecognized compensation cost related to nonvested share-based compensation arrangements under performance-based stock option plans; that cost is expected to be recognized over a weighted-average period of 6 months.

RSUs

The fair value of each time-based RSU is based on the grant date fair value, or the fair value on the acquisition date in the case of acquired awards. The fair value of each performance-based RSU is estimated on the grant date using a Monte-Carlo simulation that uses the assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company's shares. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The assumptions noted in the table below represent the weighted-average of each assumption for each grant during the year. There were no performance-based RSUs granted during the year ended December 31, 2015.

	Years ended December 31,	
	2017	2016
Expected volatility	20.2%	20.3%
Expected dividend yield	—%	—%
Expected life (years)	2.4	2.6
Risk-free interest rate	1.4%	0.8%

A summary of time-based and performance-based RSU activity under the plans at December 31, 2017, and changes during the year then ended, is presented below:

	Shares (thousands)	Weighted-Average Grant Date Fair Value
Nonvested shares (time-based RSUs)		
Balance, beginning of year	437	$ 118.98
Granted	17	$ 153.40
Vested	(179)	$ 119.50
Forfeited	(132)	$ 119.09
Balance, end of year	143	$ 122.27
Nonvested shares (performance-based RSUs)		
Balance, beginning of year	1,200	$ 121.78
Granted	140	$ 148.18
Vested	(319)	$ 119.63
Forfeited	(140)	$ 121.30
Balance, end of year	881	$ 90.61

The total number of time-based RSUs that vested during the year ended December 31, 2017 was 178,574 shares at an average share price of $150.81. The total number of time-based RSUs that vested during the year ended December 31, 2016 was 459,838 shares at an average share price of $120.42.The total number of RSUs that vested during the year ended December 31, 2015 was 408,032 shares at an average share price of $117.72. At December 31, 2017 there was $11 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements under the plan; that cost is expected to be recognized over a weighted-average period of 0.8 years.

21. SHARE-BASED COMPENSATION (continued)

The total number of performance-based RSUs that vested during the year ended December 31, 2017 was 318,714 shares at an average share price of $140.32. The total number of performance-based RSUs that vested during the year ended December 31, 2016 was 258,536 shares at an average share price of $119.75. The total number of performance-based RSUs that vested during the year ended December 31, 2015 was 63,180 shares at an average share price of $117.88. At December 31, 2017 there was $28 million of total unrecognized compensation cost related to nonvested performance-based share-based compensation arrangements under the plan; that cost is expected to be recognized over a weighted-average period of 1.5 years.

Cash received from option exercises under all share-based payment arrangements for the years ended December 31, 2017, 2016 and 2015 was $61 million, $63 million and $124 million, respectively. The actual tax benefit recognized for the tax deductions from option exercises of the share-based payment arrangements totaled $7 million, $6 million and $12 million for the years ended December 31, 2017, 2016 and 2015, respectively. The actual tax benefit recognized for the tax deductions from RSUs that vested totaled $19 million, $25 million and $13 million for the years ended December 31, 2017, 2016 and 2015, respectively.

22. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net income attributable to Willis Towers Watson by the average number of ordinary shares outstanding during each period. The computation of diluted earnings per share reflects the potential dilution that could occur if dilutive securities and other contracts to issue shares were exercised or converted into shares or resulted in the issuance of shares that then shared in the net income of the Company.

At December 31, 2017 and 2016, there were 0.8 million and 1.2 million time-based share options; 0.7 million and 0.9 million performance-based options; 0.1 million and 0.4 million restricted time-based stock units; and 0.9 million and 1.2 million restricted performance-based stock units outstanding, respectively.

Basic and diluted earnings per share are as follows:

	Years ended December 31,		
	2017	2016	2015 (i)
Net income attributable to Willis Towers Watson (ii)	$ 568	$ 450	$ 343
Basic weighted-average number of shares outstanding	135	137	68
Dilutive effect of potentially issuable shares	1	1	1
Diluted weighted-average number of shares outstanding	136	138	69
Basic earnings per share	$ 4.21	$ 3.28	$ 5.04
Dilutive effect of potentially issuable shares	(0.03)	(0.02)	(0.07)
Diluted earnings per share	$ 4.18	$ 3.26	$ 4.97

(i) Shares outstanding, potentially issuable shares, basic and diluted earnings per share, and the dilutive effect of potentially issuable shares, for the year ended December 31, 2015 have been retroactively adjusted to reflect the reverse stock split effected on January 4, 2016. See Note 3 to these Consolidated Financial Statements for further details.

(ii) Net income attributable to Willis Towers Watson for 2015 was decreased by $30 million to reflect the post-tax effect of a settlement in principle the Company entered into on March 31, 2016 relating to Stanford Financial Group litigation. As a consequence, basic earnings per share and diluted earnings per share attributable to Willis Towers Watson shareholders for 2015 were decreased. Further details on this settlement in principle are given in Note 14 to these Consolidated Financial Statements. This increase in the litigation provision was recognized in Annual Form 10-K for the following year, 2016.

There were no anti-dilutive options for the year ended December 31, 2017. Options to purchase 0.5 million and 0.6 million shares for the years ended December 31, 2016 and 2015, respectively, were not included in the computation of the dilutive effect of stock options because their effect was anti-dilutive. There were no anti-dilutive RSUs for the years ended December 31, 2017 and 2016. For the year ended December 31, 2015, 0.5 million RSUs were not included in the computation of the dilutive effect of potentially issued shares because their effect was anti-dilutive. The number of options for 2015 has been retroactively adjusted to reflect the reverse stock split on January 4, 2016. See Note 3 to these Consolidated Financial Statements for further details.

23. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures regarding cash flow information and non-cash investing and financing activities are as follows:

	Years Ended December 31,		
	2017	2016	2015
Supplemental disclosures of cash flow information:			
Cash payments for income taxes, net	$ 203	$ 158	$ 91
Cash payments for interest	$ 169	$ 143	$ 126
Cash acquired	$ —	$ 476	$ 148
Supplemental disclosures of non-cash investing and financing activities:			
Issuance of shares and assumed awards in connection with the Merger	$ —	$ 8,723	$ —
Fair value of deferred and contingent consideration related to acquisitions	$ —	$ —	$ 204

24. SUBSIDIARY UNDERTAKINGS AND UNDERTAKINGS OF SUBSTANTIAL INTEREST

As of December 31, 2017, the Company included the following subsidiary undertakings principally affecting the assets, liabilities, financial position or profit or loss of the Company.

Subsidiary Name	Registered Office	Country of Registration and Principal Place of Business	Class of Share	Percentage Ownership
Indirect subsidiaries:				
Holding companies				
Trinity Acquisition plc	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
WTW Delaware Holdings LLC	160, Greentree Drive, Suite 101, Dover, Kent, DE 19904	USA	Membership interest	100%
Willis Europe B.V.	51 Lime Street, London EC3M 7DQ	Netherlands	Ordinary shares	100%
Willis Investment UK Holdings Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Willis Group Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Willis International Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Watson Wyatt International, Inc.	311, South Division Street, Carson City, NV 89703	USA	Common shares	100%
Willis US Holding Company, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
GS & Cie Groupe S.A.S.	Immeuble Quai 33, 33/34 Quai de Dion-Bouton, CS 70001, 92814 Puteaux Cedex	France	Preferred shares	100%
Group services companies				
Willis Group Services Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
WTW Global Delivery and Solutions India Pvt. Ltd (formerly Willis Processing Services (India) Pvt. Ltd)	Plant No.6, Godrej & Boyce Mfg. Co. compound, LBS Marg, Vikhroli (West), Mumbai - 400079	India	Ordinary shares	100%
Insurance broking entities				
Willis Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Willis HRH, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Willis North America, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Willis of New York, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Willis Re, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Gras Savoye S.A.S.	Immeuble Quai 33, 33/34 Quai de Dion-Bouton, CS 70001, 92814 Puteaux Cedex	France	Ordinary shares	100%
Miller Insurance Services LLP	70 Mark Lane, London, EC3R 7NQ	England and Wales	Membership interest	85%
Max Matthiessen AB	Box 5908, Lästmakargatan 22, SE-114 89 Stockholm	Sweden	Ordinary shares	89%
Actuarial, consulting and benefit exchange companies				
Towers Watson Delaware Inc.	160, Greentree Drive, Suite 101, Dover, Kent, DE 19904	USA	Common shares	100%
Towers Watson Limited	Watson House, London Road, Reigate, Surrey, RH2 9PQ	England and Wales	Ordinary shares	100%
Extend Health, Inc.	160, Greentree Drive, Suite 101, Dover, Kent, DE 19904	USA	Common shares	100%

As of December 31, 2017, the Company did not have investments in undertakings of substantial interest that substantially affected the net income or net assets of the Company.

25. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for 2017 and 2016 were as follows:

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2017				
Total revenues	$ 2,319	$ 1,953	$ 1,852	$ 2,078
Total expenses	$ 1,856	$ 1,829	$ 1,811	$ 1,968
Operating income	$ 463	$ 124	$ 41	$ 110
Net income/(loss)	$ 352	$ 41	$ (54)	$ 253
Net income/(loss) attributable to Willis Towers Watson	$ 344	$ 33	$ (54)	$ 245
Earnings/(loss) per share				
— Basic	$ 2.51	$ 0.24	$ (0.40)	$ 1.85
— Diluted	$ 2.50	$ 0.24	$ (0.40)	$ 1.84
2016				
Total revenues	$ 2,234	$ 1,949	$ 1,777	$ 1,927
Total expenses	$ 1,858	$ 1,813	$ 1,776	$ 1,839
Operating income	$ 376	$ 136	$ 1	$ 88
Net income/(loss)	$ 275	$ 76	$ (31)	$ 148
Net income/(loss) attributable to Willis Towers Watson	$ 268	$ 72	$ (32)	$ 142
Earnings/(loss) per share				
— Basic	$ 1.99	$ 0.52	$ (0.23)	$ 1.04
— Diluted	$ 1.97	$ 0.51	$ (0.23)	$ 1.03

During the fourth quarter of 2016, management corrected an error by recording a $103 million benefit from income taxes related to the release of a portion of our U.S. deferred tax valuation allowance. A portion of the correction should have been recorded in each of the three financial year 2016 Quarterly Reports on Form 10-Q. Management determined that the error was immaterial to the previously filed 2016 quarterly financial statements and had no impact on prior year financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS TOWERS WATSON PLC

Report on the audit of the Parent Company financial statements

Opinion

We have audited the Parent Company financial statements of Willis Towers Watson Public Limited Company ('the Company') for the year ended December 31, 2017, which comprise the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in Note 1. The relevant financial reporting framework that has been applied in the their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the Companies Act 2014 ('relevant financial reporting framework').

In our opinion, the Company's financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2017; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority (IAASA), as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of investment in subsidiaries	
Key audit matter description	We have identified a key audit matter in relation to evaluation of impairment of investment in subsidiaries. There is a risk of material misstatement arising from the estimation of recoverable value, which is calculated as the higher of fair value less costs of disposal and value in use. Refer to Note 8 to the financial statements and the section 'Key sources of estimation uncertainty' in Note 1 to the financial statements.
How the scope of our audit responded to the key audit matter	We performed detailed substantive testing of the recoverable amount. This included evaluation of any indicators of impairment by performing a review of the financial statements of underlying subsidiaries. We performed substantive testing of the methodology used by the management for determining the recoverable amount.
Key observations	We performed the planned procedures without noting any material issues.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Company's financial statements as a whole as follows:

Materiality	$66 million
Basis for determining materiality	The basis of materiality is net assets, taking into account the Group materiality of $73 million as stated in our opinion on the consolidated financial statements of the Company. The materiality is approximately 0.6% of net assets.
Rationale for the benchmark applied	Materiality for the Company's financial statements is based on net assets as the principal activities of the Company are to hold investments in subsidiaries and debt.

We agreed with the Audit and Risk Committee that we would report to them any audit differences in excess of $3.3 million, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The scope of our audit was determined by obtaining an understanding of the Company and its environment, including controls and assessing the risk of material misstatement.

The Parent Company's financial statements were audited by us using the materiality described above. There were no components identified in relation to the Parent Company and accordingly there was no work performed by any component auditor. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 70, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Company’s financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Descriptionofauditorsresponsiblitiesforaudit.pdf. This description forms part of our auditor's report.

Use of our report

Our report is made solely to the Company’s members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Statement of Financial Position is in agreement with the accounting records.
- In our opinion, the information given in the directors’ report is consistent with the financial statements and the directors’ report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors’ remuneration and transactions required by Sections 305 to 312 of the Companies Act 2014 are not made.

Other matter

We have reported separately on the consolidated financial statements of Willis Towers Watson Public Limited Company and its subsidiaries for the financial year ended December 31, 2017.

Andrew Downes
For and on behalf of Deloitte LLP
Statutory Audit Firm
London, United Kingdom

3 April 2018

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2017	December 31, 2016
		(millions)	
NON-CURRENT ASSETS			
Investments in subsidiaries	8	$ 6,079	$ 5,011
		6,079	5,011
CURRENT ASSETS			
Receivables	10	6,202	7,229
Cash at bank and in hand		2	—
		6,204	7,229
CURRENT LIABILITIES			
Payables	11	87	77
		87	77
NET CURRENT ASSETS		6,117	7,152
TOTAL ASSETS LESS CURRENT LIABILITIES		12,196	12,163
NON-CURRENT LIABILITIES			
Long-term debt	12	497	496
		497	496
NET ASSETS		$ 11,699	$ 11,667
EQUITY			
Called up share capital	13	$ —	$ —
Share premium account (i) (ii)		9,375	9,313
Other reserves (ii)		503	436
Profit and loss account (iii)		1,821	1,918
SHAREHOLDERS' EQUITY		$ 11,699	$ 11,667

(i) Includes $8,686 million in relation to the fair value of 184 million Parent Company ordinary shares issued in exchange for Towers Watson & Co. shares, on the Merger, as described in Note 3 to the Consolidated Financial Statements.

(ii) The prior year has been recast to move the premium on the shares issued on the Merger from Other reserves to Share premium. The provisions of Section 72 of the Companies Act 2014 were not applicable for the Merger and consequently the premium credited has been reclassified accordingly.

(iii) The net profit for the year ended December 31, 2017 is $720 million (year ended December 31, 2016: net loss of $4 million).

The accompanying notes are an integral part of the Parent Company Financial Statements.

Approved by the Board of Directors on April 3, 2018 and signed on behalf of the Directors:

/s/ Victor F. Ganzi
Director

/s/ Wendy E. Lane
Director

PARENT COMPANY STATEMENT OF CASH FLOWS

	Years ended December 31, 2017	2016
	(millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	$ 720	$ (4)
Adjustments for:		
Movement in other assets	19	(13)
Movement in other liabilities	4	(3)
Net cash provided by/(used in) operating activities	743	(20)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds, net of repayments, from intercompany investing activities	7	849
Net cash provided by investing activities	7	849
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt	—	(300)
Repurchase of shares	(532)	(396)
Issue of shares under employee share compensation plans	61	63
Dividends paid	(277)	(199)
Net cash used in financing activities	(748)	(832)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2	(3)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	—	3
CASH AND CASH EQUIVALENTS, END OF YEAR (i)	$ 2	$ —

(i) Cash and cash equivalents relate only to cash at bank and in hand.

(ii) Cash payments for interest were $29 million (2016: $35 million).

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account (ii)	Profit and loss account	Other reserves (ii)	Total
			(millions)		
At December 31, 2015	$ —	$ 564	$ 2,583	$ 276	$ 3,423
Shares repurchased (i)	—	—	(396)	—	(396)
Net loss	—	—	(4)	—	(4)
Dividends paid and payable	—	—	(265)	—	(265)
Issue of shares under employee share compensation plans	—	63	—	—	63
Issue of shares for acquisitions (ii)	—	8,686	—	—	8,686
Replacement share-based compensation awards issued on acquisition	—	—	—	37	37
Share-based compensation	—	—	—	123	123
At December 31, 2016	$ —	$ 9,313	$ 1,918	$ 436	$ 11,667
Shares repurchased (i)	—	—	(532)	—	(532)
Net profit	—	—	720	—	720
Dividends paid and payable	—	—	(285)	—	(285)
Issue of shares under employee share compensation plans	—	62	—	—	62
Share-based compensation	—	—	—	67	67
At December 31, 2017	$ —	$ 9,375	$ 1,821	$ 503	$ 11,699

(i) Based on settlement date the Parent Company repurchased 3,797,491 shares (2016: 3,170,330 shares) at an average price of $140.19 in 2017 (2016: $124.87). The amounts used to purchase the shares during 2017 and 2016, which were subsequently canceled (with a minority of the shares purchased during 2016 being canceled in 2017), were charged to distributable profits. In accordance with Irish law the parent company maintains a capital redemption reserve fund of $864.00. In addition, as described in Note 14 to the Consolidated Financial Statements, 1,415,199 shares were surrendered by shareholders in 2017 following Merger-related appraisal demands (2016: nil), with payment to shareholders being made by a subsidiary undertaking.

(ii) The prior year has been recast to move the premium on the shares issued on the Merger from Other reserves to Share premium. The provisions of Section 72 of the Companies Act 2014 were not applicable for the Merger and consequently the premium credited has been reclassified accordingly.

1. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Basis of presentation

Willis Towers Watson plc (the 'Parent Company') is a public company limited by shares incorporated and registered in the Republic of Ireland. Its registered address is Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland and its registered number is 475616.

The financial statements of the Parent Company have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and in accordance with the Companies Act 2014.

The financial statements have been prepared on the historical cost basis.

The significant accounting policies adopted by the Parent Company are set out below.

Ordinary shares split

On January 4, 2016, immediately following the Merger described in Note 3 to the Consolidated Financial Statements, the Parent Company effected a 1 to 2.6490 reverse stock split to shareholders of record as of January 4, 2016.

Reclassification

The Parent Company Statement of Changes in Equity and Parent Company Statement of Financial Position have been recast for 2016 to move the premium on the shares issued on the Merger from Other reserves to Share premium. The provisions of Section 72 of the Companies Act 2014 were not applicable for the Merger and consequently the premium credited has been reclassified accordingly.

Significant accounting policies

Going concern

The Parent Company's business activities and the factors likely to affect its future development and position are set out in the Directors' Report. The Directors have conducted enquiries into the nature and quality of the assets, liabilities, and cash that make up the capital of the Parent Company and its subsidiaries. Furthermore the Directors' enquiries extend to the relationship of the Parent Company and its subsidiaries with external parties on a financial and non-financial level. Having assessed the responses to their enquiries, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of the Parent Company to continue as a going concern or its ability to repay loans due from time to time. As a consequence of the enquiries the Directors have a reasonable expectation that the Parent Company has appropriate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Foreign currency translation

These financial statements are presented in US dollars which is the currency of the primary economic environment in which the Parent Company operates. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Dividends receivable

Income from shares in subsidiary undertakings is recognized when the right to receive payment is established.

Dividends payable

Dividends payable are recognized as liabilities and in equity when the obligation to make payment arises.

1. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Share-based payments

The Parent Company has equity-based compensation plans that provide for grants of restricted share units and stock options to directors of the Parent Company who perform services for the Company and to employees of the Company's subsidiaries. The awards under equity-based compensation are classified as equity and included as a component of equity on the Parent Company's balance sheet, as the ultimate payment of such awards will not be achieved through use of the Parent Company's cash or other assets.

The Parent Company expenses equity-based compensation for directors of the Parent Company on a straight-line basis over the requisite service period based upon the fair value of the award on the date of grant, the estimated achievement of any performance targets and anticipated staff retention. Where the Parent Company enters into share-based payment arrangements involving employees of subsidiaries, the cost of the arrangements is recognized as an addition to 'Investment in subsidiaries'. From 2016, the Parent Company deducts from 'Investments in subsidiaries' certain recharges to subsidiaries of the cost of the arrangements.

Taxation

Corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is generally recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements although deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Investments

Investments in subsidiary undertakings are carried at cost less any accumulated allowance for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the subsidiary may not be fully recoverable.

Financial assets and financial liabilities

Financial assets and financial liabilities include cash and cash equivalents and receivables as well as payables (including amounts owed to / by group undertakings).

The Parent Company classifies its financial assets and financial liabilities in the following categories: as loans, receivables or payables (including amounts owed by / to group undertakings). The classification is made by management at initial recognition and depends on the purpose for which the financial assets or financial liabilities were entered into.

Loans, receivables and payables are non-derivative financial assets or financial liabilities with fixed or determinable receipts or payments that are not quoted in an active market. Such financial assets or financial liabilities are initially recognised at fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, and subsequently measured at amortized cost using the effective interest method. Any resulting interest is recognised in interest income or interest expense, as appropriate.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

1. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Impairment of loans and receivables

The Parent Company assesses at the end of each reporting period whether there is objective evidence that loans and receivables are impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The amount of any impairment loss is recognised in profit or loss.

Derecognition of financial liabilities

The Parent Company removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Contingencies

The Parent Company has guaranteed certain liabilities of group entities. The Parent Company reviews the status of these guarantees at each reporting date and considers whether it is required to make a provision for payment on those guarantees based on the probability of the commitment being called.

The provision required for the obligation under the guarantee would be measured initially at fair value and subsequently measured at the higher of: (i) the amount of obligation under the guarantee, as determined in accordance with International Accounting Standard ('IAS') 37 'Provisions, Contingent Liabilities and Contingent Assets'; and (ii) the amounts initially recognised less, where appropriate, cumulative amortization recognised.

Significant recent accounting pronouncements adopted in the current period

The Parent Company did not adopt any new IFRSs or interpretations ('IFRICs') issued by the International Accounting Standards Board ('IASB') during the year ended 31 December 2017 and no amendments to IFRSs or International Accounting Standards ('IASs') issued or adopted by the IASB had a significant effect on its financial statements.

Significant recent accounting pronouncements to be adopted in future periods

In May 2014, the IASB issued International Financial Reporting Standard ('IFRS') 15, 'Revenue From Contracts With Customers', whose core principle is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has been endorsed by the EU and will become mandatorily effective for the Parent Company at the beginning of its 2018 financial year.

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. This standard has been endorsed by the EU and will become mandatorily effective for the Parent Company at the beginning of its 2018 financial year.

In January 2016, the IASB issued IFRS 16 'Leases', which introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. This standard has been endorsed by the EU and will become mandatorily effective for the Parent Company at the beginning of its 2019 financial year.

The Parent Company expects that these standards will have no significant effect on its financial statements when adopted.

1. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRSs and in the application of the Parent Company's accounting policies, which are described above, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the dates of the financial statements and the reported amounts of revenues and expenses during the year. Judgments, estimates and assumptions are made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the Parent Company's accounting policies

Management made no critical judgments, apart from those involving estimations (which are dealt with separately below), in the process of applying the Parent Company's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries

Determining whether the Parent Company's investment in a subsidiary has been impaired requires estimations of the investment's recoverable amount, the higher of its fair value, less costs of disposal, and its value in use. Management judgment is required to identify comparable recent transactions and/or to estimate the future cash flows expected to arise from the investment and select a suitable discount rate to use in calculating present value. See Note 8 to these Parent Company Financial Statements for the carrying amount of investments in subsidiaries. No impairment loss was recognised in 2017 or 2016.

Impairment of loans and receivables

Management judgment is required to assess at the end of each reporting period whether there is any objective evidence that loans and receivables are impaired and, if so, to determine the amount of any impairment loss. See Note 10 to these Parent Company Financial Statements for the carrying amount of loans and receivables. No impairment loss was recognised in 2017 or 2016.

Taxation

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the level of historical taxable income and projections for future taxable income. Further details are given in Note 6 to these Parent Company Financial Statements.

2. NET PROFIT/(LOSS)

As permitted by section 304 of the Companies Act 2014 the Parent Company is availing itself of the exemption from including its Parent Company only profit and loss account in these financial statements and from filing it with the Registrar of Companies. The net profit for the financial year dealt with in the Parent Company only financial statements amounts to $720 million (December 31, 2016: net loss of $4 million). There is no other comprehensive income in either the financial year ending December 31, 2017 or the preceding financial year.

For financial liabilities accounted for at amortized cost, total interest cost and amortization of transaction costs recognized in profit and loss were $29 million and $1 million, respectively (2016: $31 million and $1 million).

3. EMPLOYEES

The Parent Company employed no staff during the year ended December 31, 2017 and the preceding year.

4. DIRECTORS' REMUNERATION

Information regarding directors' remuneration is included in Note 17 to the Consolidated Financial Statements and Note 14 to these Parent Company Financial Statements.

Information regarding directors' interests in stock and stock options for the consolidated Company is included in the Directors' Report under the heading 'Directors' and Secretary's Interests'.

5. AUDITOR'S REMUNERATION

	Year ended December 31,	
	2017	2016
	(thousands)	
Audit of individual financial statements	$ 10	$ 10
Other assurance services (i)	155	75
Tax advisory services	—	—
Other non-audit services	—	—
Total remuneration (ii)	$ 165	$ 85

(i) Represents audit of the Consolidated Financial Statements under Irish law.

(ii) Excludes remuneration to Deloitte LLP's affiliates. Includes out-of-pocket expenses.

Note 17 to the Consolidated Financial Statements provides additional details of auditor's remuneration paid by the Company.

6. TAXATION

The tax charge on ordinary activities is shown below:

	Years ended December 31, 2017	2016
	(millions)	
Analysis of tax charge for the year		
Current tax		
Irish corporation tax on non-trading profit at 25% (2016: 25%)	$ —	$ —
Current tax charge on profit on ordinary activities	$ —	$ —
Factors affecting tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax on non-trading activities in Ireland (25%). The differences are explained below:		
Profit/(loss) on ordinary activities before taxation	$ 720	$ (4)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax on non-trading activities in Ireland of 25%	$ 180	$ (1)
Effects of:		
Intercompany dividend income not taxable	(181)	—
Options chargeback not taxable	—	(8)
Profit on share exchange on December 22, 2017 (see Note 8 to these Parent Company Financial Statements) not taxable	(9)	—
Non-deductible financing expenses	8	8
Disallowable expenditure	1	—
Losses surrendered for nil consideration	1	1
Total current tax charge for the year	$ —	$ —

7. DIVIDENDS

	Years ended December 31, 2017	2016
	(millions)	
First interim payable April	$ 72	$ 67
Second interim payable July	72	66
Third interim payable October	71	66
Fourth interim payable January (i)	70	66
Total dividends (i) (ii) (iii)	$ 285	$ 265

(i) The 2017 interim dividends were each of $0.53 per share (2016: $0.48 per share). The dividend declared during the fourth quarter of 2017 of $70 million (2016: $66 million) was subsequently paid on January 16, 2018 (2016: January 17, 2017) to shareholders of record as at December 31, 2017 (2016: December 31, 2016).

(ii) The Parent Company has subsequently declared a first interim dividend in the first quarter of 2018 of $0.60 per share payable on or about April 16, 2018 to shareholders of record on March 31, 2018.

(iii) See Note 11 to these Parent Company Financial Statements for accrued dividends payable at December 31, 2017.

8. INVESTMENTS IN SUBSIDIARIES

	Subsidiary undertakings (millions)
Cost and carrying amount	
Balance at December 31, 2015	$ 806
Towers Watson & Co. shares acquired on the Merger (i)	8,686
Towers Watson & Co. shares transferred to an indirect subsidiary	(4,600)
Replacement share-based payment awards issued on acquisition	37
Share-based compensation (ii)	82
Balance at December 31, 2016	$ 5,011
Increase in investment in Willis Towers Watson Sub Holdings Unlimited Company by way of contribution	1,000
Willis Risk Services Holdings (Ireland) Limited shares transferred to direct subsidiary Willis Towers Watson Sub Holdings Unlimited Company	(104)
Increase in investment in Willis Towers Watson Sub Holdings Unlimited Company by way of share issue	139
Share-based compensation (iii)	33
Balance at December 31, 2017	$ 6,079

(i) On January 4, 2016, Towers Watson & Co. became a wholly-owned subsidiary of the Parent Company, as described in Note 3 to the Consolidated Financial Statements.

(ii) Net of $41 million share-based compensation recharged to subsidiaries.

(iii) Net of $34 million share-based compensation recharged to subsidiaries.

On January 4, 2016, immediately following the Merger, the Parent Company and certain of its subsidiaries undertook a number of transaction steps to effect a reorganisation, including:

- The Parent Company transferred 100% of the shares in Willis Netherlands Holdings B.V. to Willis Towers Watson Sub Holdings Limited (now Willis Towers Watson Sub Holdings Unlimited Company) in exchange for one share in Willis Towers Watson Sub Holdings Limited.

8. INVESTMENTS IN SUBSIDIARIES (continued)

- The Parent Company transferred its investment of 1,000 shares in Towers Watson & Co. with a value of $8,686 million to Willis Investment UK Holdings Limited in exchange for Willis Investment UK Holdings Limited issuing $4,600 million notes in nine tranches, two new shares and an obligation to issue a further 4,573,745 new shares ('the WIUKH Obligation'). The total value of the new shares was $4,086 million.

- The Parent Company then transferred to Willis Towers Watson Sub Holdings Limited the two new shares in Willis Investment UK Holdings Limited and the WIUKH Obligation in exchange for shares in Willis Towers Watson Sub Holdings Limited to the value of $4,086 million.

- Willis Towers Watson Sub Holdings Limited sold to Willis Netherlands Holdings B.V. the two shares in Willis Investment UK Holdings Limited and the WIUKH Obligation in exchange for the issue by Willis Netherlands Holdings B.V. of $3,400 million interest free loans and $686 million share premium.

- The Parent Company sold the $4,600 million notes payable by Willis Investment UK Holdings Limited to Willis Netherlands Holdings B.V. in exchange for a non-interest bearing loan of $4,600 million.

On February 28, 2017, the Parent Company and certain of its subsidiaries undertook a number of transaction steps to effect a refinancing:

- Willis Investment UK Holdings Limited and Willis Netherlands Holdings B.V. agreed to refinance $1,000 million of existing notes issued by Willis Investment UK Holdings Limited, and held by Willis Netherlands Holdings B.V., with a single 5-year interest-bearing note of $1,000 million, to facilitate the further integration and expansion of the merged group.

- Willis Netherlands Holdings B.V. then issued a new 5-year interest-free note of $1,000 million to Willis Towers Watson Sub Holdings Unlimited Company in exchange for a $1,000 million Transitory Note.

- Willis Netherlands Holdings B.V. then transferred the Transitory Note to the Parent Company in full and final settlement of $1,000 million of existing notes issued by Willis Netherlands Holdings B.V. and held by the Parent Company.

- The Parent Company then contributed the Transitory Note to Willis Towers Watson Sub Holdings Unlimited Company by way of a gift whereby the Transitory Note was extinguished.

On December 22, 2017, the Parent Company transferred its shares in Willis Risk Services Holdings (Ireland) Limited with a carrying amount of $104 million and a fair value of $139 million to Willis Towers Watson Sub Holdings Unlimited Company in exchange for one newly-issued share in Willis Towers Watson Sub Holdings Unlimited Company. The $35 million gain on the exchange has been recognized in the income statement.

9. SHARES IN SUBSIDIARY UNDERTAKINGS

As of December 31, 2017, the Parent Company controlled the following subsidiary undertakings principally affecting the assets, liabilities, financial position or profit or loss of the Company.

Subsidiary Name	Registered Office	Country of Registration and Principal Place of Business	Class of Share	Percentage Ownership
Indirect subsidiaries:				
Holding companies				
Trinity Acquisition plc	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
WTW Delaware Holdings LLC	160, Greentree Drive, Suite 101, Dover, Kent, DE 19904	USA	Membership interest	100%
Willis Europe B.V.	51 Lime Street, London EC3M 7DQ	Netherlands	Ordinary shares	100%
Willis Investment UK Holdings Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Willis Group Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Willis International Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Watson Wyatt International, Inc.	311, South Division Street, Carson City, NV 89703	USA	Common shares	100%
Willis US Holding Company, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
GS & Cie Groupe S.A.S.	Immeuble Quai 33, 33/34 Quai de Dion-Bouton, CS 70001, 92814 Puteaux Cedex	France	Preferred shares	100%
Group services companies				
Willis Group Services Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
WTW Global Delivery and Solutions India Pvt. Ltd (formerly Willis Processing Services (India) Pvt. Ltd)	Plant No.6, Godrej & Boyce Mfg. Co. compound, LBS Marg, Vikhroli (West), Mumbai - 400079	India	Ordinary shares	100%
Insurance broking entities				
Willis Limited	51 Lime Street, London EC3M 7DQ	England and Wales	Ordinary shares	100%
Willis HRH, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Willis North America, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Willis of New York, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Willis Re, Inc.	200 Liberty Street, New York, NY 10281	USA	Common shares	100%
Gras Savoye S.A.S.	Immeuble Quai 33, 33/34 Quai de Dion-Bouton, CS 70001, 92814 Puteaux Cedex	France	Ordinary shares	100%
Miller Insurance Services LLP	70 Mark Lane, London, EC3R 7NQ	England and Wales	Membership interest	85%
Max Matthiessen AB	Box 5908, Lästmakargatan 22, SE-114 89 Stockholm	Sweden	Ordinary shares	89%
Actuarial, consulting and benefit exchange companies				
Towers Watson Delaware Inc.	160, Greentree Drive, Suite 101, Dover, Kent, DE 19904	USA	Common shares	100%
Towers Watson Limited	Watson House, London Road, Reigate, Surrey, RH2 9PQ	England and Wales	Ordinary shares	100%
Extend Health, Inc.	160, Greentree Drive, Suite 101, Dover, Kent, DE 19904	USA	Common shares	100%

The Parent Company did not have material undertakings of substantial interest at December 31, 2017.

10. RECEIVABLES

	December 31, 2017	December 31, 2016
	(millions)	
Amounts due from subsidiary undertakings (i)	$ 6,202	$ 7,229
Total debtors	$ 6,202	$ 7,229

(i) The fair value of these amounts due from subsidiary undertakings, which are repayable on demand and non-interest bearing, was the same as the carrying amount as of December 31, 2017 and December 31, 2016.

11. CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
	(millions)	
Payables:		
Accrued dividends payable (i)	$ 74	$ 66
Interest payable	8	8
Other creditors	5	3
Total current liabilities (ii)	$ 87	$ 77

(i) Accrued dividends payable at December 31, 2017 includes $4 million dividends accrued on Restricted Stock Units.

(ii) The movement in current liabilities during 2017 includes $nil cash outflows for repayment of debt (2016: $300 million).

12. NON-CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
	(millions)	
Long-term debt, net of debt issuance costs (i):		
5.750% senior notes due 2021	$ 497	$ 496
Total non-current liabilities (ii)	$ 497	$ 496

(i) The fair value of these senior notes as of December 31, 2017 was $541 million (2016: $543 million). The fair value is based on quoted market values and classified as a Level 1 measurement (fair value determined based on quoted market prices in active markets for identical liabilities that the Parent Company can access at the measurement date).

(ii) The movements in non-current liabilities during 2017 and 2016 comprise non-cash changes.

13. CALLED UP SHARE CAPITAL

	December 31, 2017	December 31, 2016
	Number (thousands)	
Authorized share capital		
Ordinary shares of €1 each	40	40
Ordinary shares of $0.000304635 (i) (ii)	1,510,004	1,510,004
Preferred shares of $0.000115	1,000,000	1,000,000

	December 31, 2017	December 31, 2016
	(thousands)	
Allotted, called up and fully paid		
132,139,581 ordinary shares in 2017 of $0.000304635 each (2016: 137,075,068) (i) (ii)	$ 40	$ 42
40,000 ordinary shares of €1 each	59	59
Balance at December 31	$ 99	$ 101

(i) At December 31, 2017 a subsidiary of the Parent Company held 17,519 ordinary shares of $0.000304635 par value (December 31, 2016: 17,519) in a trust.

(ii) At December 31, 2016 the Parent Company also held 778,297 treasury shares, which were subsequently canceled (December 31, 2017: nil).

14. RELATED PARTY TRANSACTIONS

The Parent Company's related parties include subsidiaries, associates and Key Management Personnel.

Transactions with Directors and other Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Parent Company and comprise the Directors of the Parent Company as of December 31, 2017.

Remuneration of the Key Management Personnel for services rendered to the Parent Company during the year is analyzed below:

	Year ended December 31,	
	2017	2016
	(millions)	
Short-term employment benefits	$ 1	$ 2
Total remuneration of Key Management Personnel (i)	$ 1	$ 2

(i) Includes nil (2016: nil) paid or due to any connected persons.

The Parent Company entered into no other transactions with Key Management Personnel in 2017 or 2016, and there were no balances in respect of other transactions as of December 31, 2017 or December 31, 2016.

Transactions with subsidiaries

Transactions relating to the cost of the Parent Company's investment in its subsidiaries are described in Note 8 to these Parent Company Financial Statements.

Transactions of the Parent Company with its subsidiaries on intercompany debtor accounts during the year, and amounts due from subsidiaries as of the year end, are analyzed below:

	Year ended December 31,			
	2017		2016	
	Balance at the end of the financial year	Transactions in the financial year (i)	Balance at the end of the financial year	Transactions in the financial year (i)
	(millions)			
Willis Netherlands Holdings B.V.	$ 5,768	$ (1,010)	$ 6,778	$ 3,600
Willis Group Services Limited	359	(51)	410	165
Other subsidiaries	75	34	41	41
Total	$ 6,202	$ (1,027)	$ 7,229	$ 3,806

(i) Includes the effect of foreign exchange movements.

Transactions with Willis Netherlands Holdings B.V. in 2017 represent, primarily, the February 28, 2017 refinancing described in Note 8 to these Parent Company Financial Statements, whereby Willis Netherlands Holdings B.V. transferred a Transitory Note to the Parent Company in full and final settlement of $1,000 million of existing notes issued by Willis Netherlands Holdings B.V. and held by the Parent Company.

Transactions with Willis Netherlands Holdings B.V. in 2016 represent $4,600 million non-interest bearing notes issued to the Parent during the year, partially offset by repayments totaling $1,000 million of existing notes.

14. RELATED PARTY TRANSACTIONS (continued)

Transactions with Willis Group Services Limited in 2017 represent the net decrease in lending by the Parent Company, the amount of lending by the Parent Company having been determined by the Parent Company's own need for cash. The movements during 2017 in the amount lent to Willis Group Services Limited relate, primarily, to additional lending out of dividends received by the Parent Company from Willis Towers Watson Sub Holdings Unlimited Company and amounts received by the Parent Company on the exercise of share options, that were more than offset by reduced lending due to repurchase of the Parent Company's shares, dividend payments on the Parent Company's shares and interest payments on the Parent Company's senior debt.

Transactions with Willis Group Services Limited in 2016 represent the net increase in lending by the Parent Company and include $31 million charged by the Parent Company to subsidiary companies in relation to share-based compensation.

Transactions with other subsidiaries in 2017 and 2016 represent share-based compensation recharges.

The balances are intercompany advances that are repayable on demand and non-interest bearing. The amounts outstanding are unsecured and no guarantees have been given or received in respect of them.

No impairment loss was recognized in 2017 or 2016 in respect of amounts owed by related parties.

See Note 15 to these Parent Company Financial Statements for details of guarantees given by the Parent Company.

Transactions with undertakings of substantial interest

There were no transactions with undertakings of substantial interest in 2017 or 2016, and no balances in respect of such transactions as of December 31, 2017 or December 31, 2016.

15. FINANCIAL GUARANTEE CONTRACTS

As the holding company of Willis Towers Watson, the Parent Company guarantees borrowings (as detailed below), certain local letters of credit, guarantees in respect of certain subsidiaries' leasehold obligations and guarantees in respect of certain of its UK and Irish subsidiaries' obligations to fund the UK and Irish defined benefit pension plans.

Borrowings

See Note 12 to these Parent Company Financial Statements for information about the Parent Company's debt.

The Parent Company previously guaranteed, on a joint and several basis with certain of its subsidiary undertakings, the following debt securities issued by its subsidiary undertaking Willis North America Inc.:

- $394 million 6.200% Senior Notes due 2017 (repaid on March 28, 2017)

The Parent Company guarantees, on a joint and several basis with certain of its subsidiary undertakings, the following debt securities issued by its subsidiary undertaking Willis North America Inc.:

- $187 million 7.000% Senior Notes due 2019
- $650 million 3.600% Senior Notes due 2024 (issued on May 16, 2017)

The Parent Company guarantees, on a joint and several basis with certain of its subsidiary undertakings, the following debt securities issued by its subsidiary undertaking Trinity Acquisition plc:

- $450 million 3.500% Senior Notes due 2021
- €540 million 2.125% Senior Notes due 2022
- $250 million 4.625% Senior Notes due 2023
- $550 million 4.400% Senior Notes due 2026
- $275 million 6.125% Senior Notes due 2043

15. FINANCIAL GUARANTEE CONTRACTS (continued)

The Parent Company previously guaranteed, on a joint and several basis with certain of its subsidiary undertakings, a $800 million revolving credit facility entered into by its subsidiary undertaking Trinity Acquisition plc that was replaced on March 7, 2017.

The Parent Company guarantees, on a joint and several basis with certain of its subsidiary undertakings, the replacement $1.25 billion revolving credit facility entered into by its subsidiary undertaking Trinity Acquisition plc on March 7, 2017 that will mature on March 7, 2022. Amounts outstanding under the facility bear interest at LIBOR plus a margin of 1.00% to 1.75%, or alternatively, the base rate plus a margin of 0.00% to 0.75%, based upon the Company's guaranteed senior unsecured long-term debt rating. Borrowings against the facility were used to repay all outstanding borrowings against the previous $800 million revolving credit facility and the 7-year term loan due July 23, 2018 entered into by Trinity Acquisition plc.

The Parent Company previously guaranteed, on a joint and several basis with certain of its subsidiary undertakings, a $400 million revolving note and cash subordination agreement entered into by its subsidiary undertaking Willis Securities Inc. The facility expired on April 28, 2017. As of December 31 2016, there were no borrowings outstanding under the facility.

The Parent Company previously guaranteed, on a joint and several basis with certain of its subsidiary undertakings, a 1 year-term loan facility entered into by its subsidiary undertaking Trinity Acquisition plc. The 1-year term loan had two tranches: Tranche A of €550 million, of which €544 million ($592 million) was drawn on December 19, 2015 and used to finance the acquisition of Gras Savoye; and Tranche B of $400 million, which was drawn on January 4, 2016 and used to re-finance debt held by Legacy Towers Watson which became due on acquisition. Tranche A was repaid on May 26, 2016 and Tranche B was repaid on March 22, 2016.

See Note 10 to the Consolidated Financial Statements for further details.

Taking into account the inherent uncertainties involved in estimating the cash flows under the financial guarantee contracts and the credit risk of the counterparties, the fair value of these inter-company guarantee contracts are considered to approximate carrying amount. Furthermore, the Company considers that it is more likely than not that such an amount will not be payable under the financial guarantee contracts.

16. SHARE-BASED PAYMENTS

Details of share-based compensation relating to the shares of the Parent Company are provided in Note 21 to the Consolidated Financial Statements.

Total share-based payment cost recognized in profit and loss was $2 million (2016: $1 million), relating to equity-settled share-based payment transactions.

17. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

The Parent Company manages its capital to ensure that it will be able to continue as a going concern. The Parent Company has both debt and equity capital which it uses to invest in the activities of Willis Towers Watson. Amounts are disclosed in Notes 12 and 13 to these Parent Company Financial Statements. The capital structure of the Parent Company is reviewed at least annually as part of the review of the Company's capital structure by the Board of Directors. The Parent Company is not subject to externally imposed capital requirements.

Financial risk management

The Parent Company's financial risks are managed by the Treasury function of Willis Towers Watson. These risks comprise market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

17. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT (continued)

Market risk

The Parent Company transacts in certain other currencies in addition to the US Dollar, its functional currency, and is therefore exposed to movements in exchange rates, primarily in respect of Pounds Sterling and Euro. However, approximately 97 percent of the Parent Company's expenses in 2017 (2016: approximately 97 percent) were denominated in US dollars and the Parent Company's income, assets and liabilities at December 31, 2017 were all denominated in US dollars except for amounts due to subsidiaries of Euro 1 million (2016: all denominated in US dollars).

The Parent Company pays fixed rate interest on its senior debt.

Credit risk

The Parent Company is potentially exposed to credit risk from its investments in, and amounts due from, its subsidiary undertakings. An impairment allowance would be made if there were to be an identified loss event which evidenced a potential reduction in the recoverability of the cash flows. No such event has been identified.

Liquidity risk

The undiscounted remaining contractual maturity of the principal and interest amounts of the Parent Company's senior debt is analyzed below:

	Payments due by				
Obligations	**Total**	**2018**	**2019**	**2020**	**2021**
			(millions)		
5.750% senior notes due 2021	$ 500	$ —	$ —	$ —	$ 500
Interest on senior notes	92	29	29	29	5
Total senior notes and related interest	$ 592	$ 29	$ 29	$ 29	$ 505

The Parent Company, together with the Treasury function of Willis Towers Watson, manages amounts due from subsidiary undertakings to ensure that it has sufficient funds to repay senior debt, and interest on that debt, as it falls due.

18. SUBSEQUENT EVENTS

Dividend

On February 23, 2018, the Parent Company declared a first interim dividend of $0.60 per share, payable on or about April 16, 2018 to shareholders of record on March 31, 2018.