Mercer

FCA Chapter 8 Disclosures

Mercer UK

April 2024

welcome to brighter

Contents

Background

The purpose of this document is to set out the MiFIDPRU Chapter 8 Disclosures of Mercer Limited and its regulatory consolidation group (together the "Group") as at 31 December 2023.

1.1 Basis of Disclosures

The disclosures set out in this document are required by the FCA's Prudential Sourcebook for MiFID Investment firms as part of the Investment Firms Prudential Regime (IFPR).

Unless otherwise stated, all figures are based on the audited Annual Reports of the entities in the Group for the year ended 31 December 2023.

1.2 Frequency of Publication

The disclosures will be reviewed at least annually and, if appropriate, more frequently. Disclosures will be published as soon as practicable after the publication of the Annual Reports.

1.3 Verification

The information contained in this document has not and is not required to be audited by the Group's external auditors and does not constitute any form of financial statement. The information should not be relied on in making any judgement on the Group.

1.4 Media & Location of Publication

The disclosures are published on Mercer Limited´s corporate website.

1.5 Summary of significant changes

Any significant changes to the information disclosed when compared with previous disclosure periods is highlighted in Annex 1.

Scope and Application

The Group is headed by Mercer Limited (the “Firm”), which is an FCA regulated entity.

The other entities falling within the Group are JLT EB Holdings Limited and JLT Wealth Management Limited. These entities are non-trading. Marsh & McLennan Companies, Inc. (MMC) is the ultimate parent of the Group, and all entities within the Group are wholly owned by MMC. The Group is exempt from the obligation to prepare and deliver group accounts (Companies Act 2006, section 401).

The Boards of the entities in the Group do not currently foresee any material practical or legal impediment to the prompt transfer of capital resources or the repayment of liabilities between the legal entities within the Group (to the extent of limits associated with regulatory capital requirements).

2.1 Mercer Structure

MMC is a professional services firm in the areas of risk, strategy, and people, with over 85,000 colleagues and annual revenue of $23 billion. Through its businesses Mercer, Marsh, Guy Carpenter and Oliver Wyman, MMC helps clients in over 130 countries navigate an increasingly dynamic and complex environment.

Mercer globally provides Health, Wealth and Career based solutions and advice, operating across multi-client segments and distribution channels. Mercer believes in building brighter futures by redefining the world of work, reshaping retirement, and investment outcomes, and unlocking real health and well-being. Globally Mercer has circa 25,000 employees based in 43 countries. Within the UK, Mercer has circa 3,900 colleagues.

The Group operates under a common management and governance structure and has consolidated its trading activities through several business transfers.

The table below sets out FCA regulated subsidiaries of the Firm as at 31st December 2023:

No.	Entity	Companies House status	FCA Regulatory status
1	Mercer Limited	Active	Active-Permissions
2	JLT Wealth Management Limited	Active	Active-Permissions

Governance Arrangements

3.1 Overview

The Board of Mercer Limited (the “Board”) has established terms of reference, which provide the framework for the Firm´s governance practices. The terms of reference set out the:

- purpose to generate value for the Firm’s stakeholders, including its shareholder, and to ensure the sound and prudent management of the Firm;
- overall leadership responsibility and matters reserved for its consideration and approval (including approval, and oversight of the implementation of strategic initiatives;
- delegation of authority to the Executive for the day-to-day running of the Firm; and
- delegation of certain matters to its Audit Committee, Risk Committee, Remuneration Committee and Nominations Committee.

The Committees established by the Board assist in providing oversight, challenge, and guidance to the Executive in the areas of risk, audit, and remuneration in respect of the Firm and where appropriate, the Group as a whole. Committee roles and responsibilities, including decision-making authority and escalation processes are outlined in terms of reference which are annually reviewed by the respective Committees and the Board. In addition to the Committees established by the Board, the Executive has established a number of Committees outlined below to assist it discharge duties delegated by the Board.

Through its terms of reference, and those of its Committees, the Board has established formal and robust processes to ensure systems and controls are operating effectively and that the quality and integrity of information provided to it is reliable, enabling directors to monitor and challenge the performance of the Firm and make informed decisions.

The Board maintains a clear view of individual responsibilities and accountabilities across the Group through periodic review of the relevant management responsibility map and the documented statements of responsibility for all Directors, Executives, and senior management within the Group´s business and functional support departments.

The Group’s risk management objectives and policies are supported by an enterprise risk management framework which establishes the governance arrangements and principles of how risk is to be identified, assessed, managed, reported, and monitored. The Board is responsible for setting risk appetite and reviewing the enterprise risk management framework to ensure that risk is monitored and controlled effectively. The Board is supported by the Risk Committee and Audit Committee in this regard.

3.2 Board Composition

As of 31 December 2023, the Board of the Firm comprised a Non-Executive Chair, two further independent Non-Executive Directors, the Chief Executive Officer, the Chief Finance Officer, and an additional Executive Director, the MMC Financial Controller for Continental Europe (previously the Firm´s Chief Finance Officer).

Behavioural expectations are understood by Board members who have a diverse range of skills, experience and expertise in the fields of actuarial science, corporate finance, treasury, banking, private equity, accountancy, pensions, management consulting and law. All Board members have extensive experience in executive and/or non-executive positions, both within financial services and other industries.

The separation between Chair and Chief Executive Officer roles ensures that there is a balance of responsibilities and encourages effective decision-making by the Board. In addition, the Firm values the contribution brought by independent Non-Executive Directors, particularly their contributions to the formulation of strategy, independent and objective judgment to Board deliberations, and constructive challenge of the Executive in the areas of remuneration, risk, audit, and internal controls.

3.3 Board Members

Name	Position(s) held	No of other Directorships
Ashok Kumar Gupta	Board Chair Risk Committee Chair Nominations Committee Chair Remuneration Committee member Audit Committee member	2 external to MMC group, (non-executive roles)
Diana Brightmore-Armour	Independent Non-Executive Director Audit Committee Chair Nominations Committee member Remuneration Committee member	2 external to MMC group (executive roles)
Catrina Holme	Independent Non-Executive Director Nominations Committee member Remuneration Committee Chair Risk Committee member	1 external to MMC group (executive role)
Mark Chessher	Executive Director Chief Financial Officer	4 MMC group companies (executive roles)
Benoit Hudon	Executive Director Chief Executive Officer	2 MMC group companies (executive roles)
Tony O´Dwyer	Executive Director Controller Continental Europe (previously Chief Finance Officer)	28 MMC group companies (executive roles, most of these companies are dormant or do not trade)

3.4 Conflicts of Interest

Directors are obligated to declare any actual or potential conflicts of interest (including details of any other directorships). This should be disclosed in advance of any discussion on the relevant topic. Under the Firm´s Articles of Association and the Board´s Terms of Reference, the remaining Directors may agree that the conflicted Director may participate in the discussion, but in the ordinary course, such Director cannot participate in a vote pertaining to that topic.

3.5 Director onboarding and training

All new Directors of the Firm undertake an appropriate induction programme to ensure that they are fully informed about the Firm’s primary areas of business activity and risk, its strategic priorities, and the markets in which it operates, as well as their duties and responsibilities as Directors. Induction programmes are tailored to specific Director experience and knowledge.

The Firm demonstrates a commitment to ongoing professional development of Directors through the delivery of annual training sessions covering appropriate topics.

3.6 Diversity

The Board is committed to creating an inclusive Firm led with purpose. The Board values the differences within the Firm and all colleagues are encouraged to live and work authentically and be true to themselves. This means being accepting of everyone regardless of gender, sexual orientation, societal background, or race. The Firm will continue to make progress on its diversity and inclusion agenda as this helps deliver the best outcomes for its people, clients, and society.

The Firm set a target to increase its senior female population to over 35% which has been exceeded (currently 37.7%) and aspires to reach 50% by 2027. This ambition is supported by the Firm´s gender-balanced Board and Executive Leadership Team.

3.7 Governance Committees

Audit Committee

The Audit Committee is chaired by an independent Non-Executive Director, meets no less than once per quarter and assists the Board to fulfill its oversight responsibility in relation to financial reporting, internal controls, compliance, and the Internal and External Audit functions of the Group.

Nominations Committee

The Nominations Committee is chaired by an independent Non-Executive Director and meets twice a year. It has oversight responsibility for Board effectiveness (including ensuring diversity of thought, experience, and expertise), succession planning, director appointments and inductions and annual board evaluations.

Risk Committee

The Risk Committee is chaired by a Non-Executive Director, meets no less than once per quarter and assists the Board to fulfill its oversight responsibilities in relation to risk appetite, risk exposures, risk monitoring and assessment processes and the performance and independence of the risk management function. The Risk Committee has delegated authority to the Executive Risk Committee as detailed below.

Remuneration Committee

The Remuneration Committee is chaired by an independent Non-Executive Director, meets no less than once per quarter and assists the Board to fulfil its responsibility for ensuring that remuneration and compensation policies and practices are consistent with, and promote, sound and effective risk management practices and are compliant with relevant legal and regulatory requirements. It oversees the Remuneration Policy aimed at ensuring the alignment of colleague behaviours with profitability goals and reward outcomes and designed to be sustainable for the Firm. It oversees the Policy and Framework for Variable Remuneration including any share incentive programmes and extraordinary pension arrangements. It also oversees the list of Material Risk Takers (MRTs) and their remuneration structures. Where required the Remuneration Committee may be supported by Mercer Consultants on remuneration topics.

Executive Leadership Team

The Executive Leadership Team has been established by the Chief Executive Officer, to assist in the day-to-day management of the Firm and meets no less than once a fortnight.

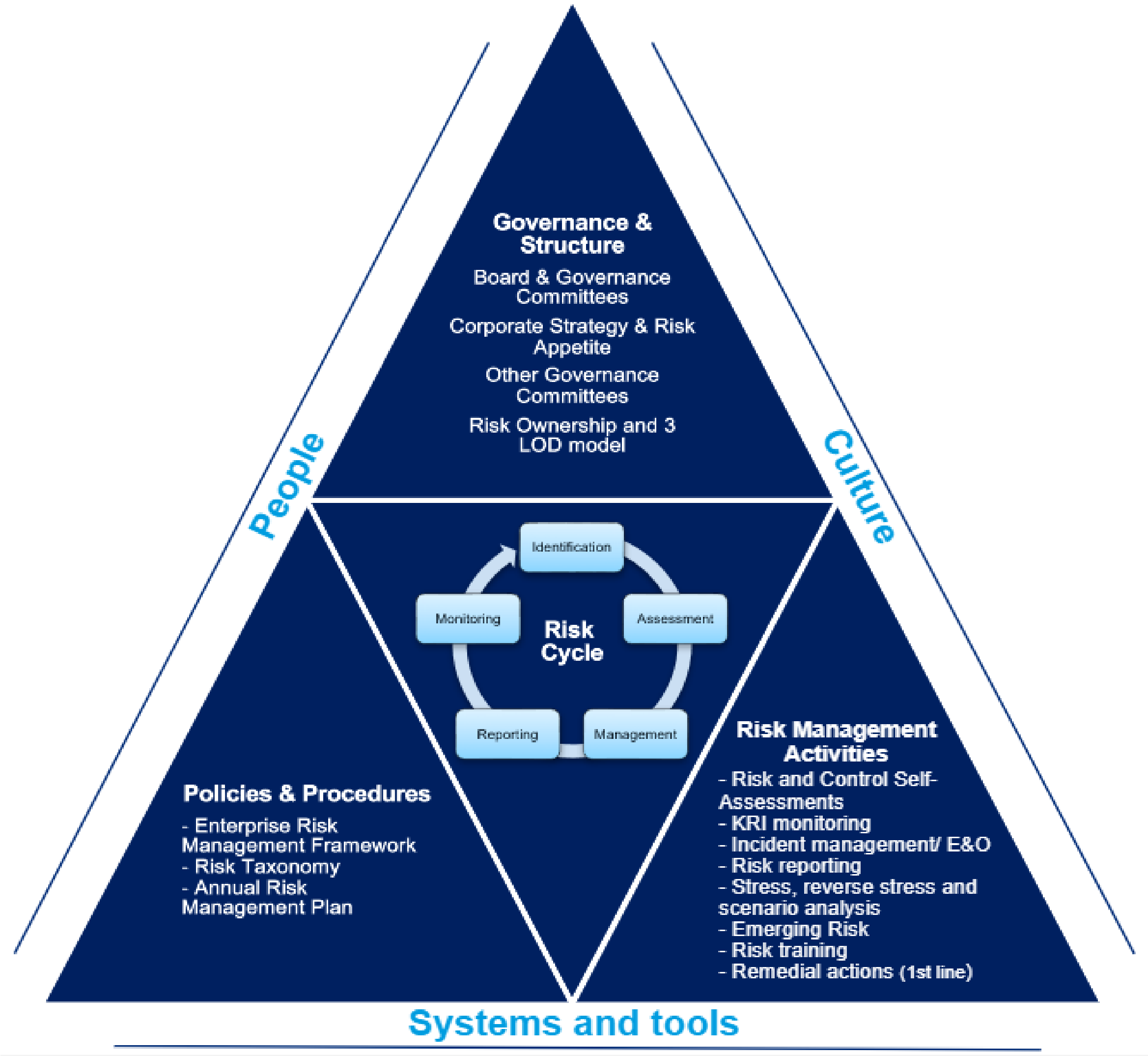
Executive Risk Committee

The Executive Risk Committee is Chaired by the Chief Risk Officer and meets no less than once per quarter. It considers the risk and control environment, including oversight of the aggregate enterprise-wide risk exposure, and reports to the Risk Committee on actions taken to manage this.

Risk Management Objectives and Policies

4.1 Risk Management Framework

The Firm has documented its Enterprise Risk Management ("ERM") framework which is designed to ensure that a formal process is in place to identify, assess, manage, report on and monitor the risks to which it is exposed. The following diagram provides an overview of the Firm's Enterprise Risk Management Framework. It summarises the key elements of the ERM Framework, necessary to embed risk across the Firm.



4.2 Risk Governance

As outlined above, risk governance bodies exist at various levels, starting with line of business risk committees (or similar management bodies), the Executive Risk Committee ("ERC") as well as the Risk Committee, which is a Board Committee.

The ongoing identification and management of risk lies with Risk Owners, who are accountable for all risks assumed in their area of responsibility and for executing an appropriate risk management discipline. Risk Owners are predominantly those individuals who are Business/Function Leaders and/or persons with Senior Management Function responsibilities (incl. Material Risk Takers).

4.3 Risk Appetite

The Firm's Risk Appetite Statements ("RAS") set the extent and nature of risks the Board is prepared and able to accept in order to achieve its strategic goals and objectives. They are therefore an important mechanism through which management and staff can make informed risk decisions, in a consistent and relatively easy to understand manner, by considering the Firm's appetite for and attitude to risk. It provides a benchmark through which to assess whether any residual risk exposure is within acceptable levels and what response might be needed in respect of new and existing risks (e.g., investment in improved controls).

There is a feedback loop between the risk appetite and the Firm's Strategy, in that the strategy both informs and is informed by the risk appetites. The Firm's Risk Appetite Framework is aligned to its Risk Taxonomy. The RAS are agreed for each Risk Category and are updated annually.

The Risk Function facilitates discussion on Risk Appetites which are discussed and agreed, in first instance, with relevant subject matter experts and senior Risk Owners. The proposed Risk Appetites and approach are then discussed, challenged and agreed at the Executive Risk Committee and then by the Risk Committee, before being reviewed and approved by the Board.

4.4 Risk Profile

The Firm is exposed to a variety of risks because of its business activities and the markets in which it operates. Exposure to risk is therefore unavoidable. The Firm's key risks reflect the risks arising from the strategy, including competitiveness risks and financial risks. In line with the business profile, the risk profile is predominantly driven by operational risk, that is, risks arising from people, processes, or systems. This includes cyber, data & privacy and third party & outsourcing risks. Given that many of the Firm's core services relate to providing consulting services, some of which are regulated activities, client service, legal/ Error & Omission and regulatory risks also apply.

Categories of risk specified by MIFIDPRU 8.2.1 (see section 5 regarding own funds requirements):

Concentration Risk

Concentration risk may arise from dependencies and exposure to a concentration of a single or small group of (connected) clients, suppliers, and other counterparties or insufficient diversification of assets. The Firm considers concentration risk as part of the assessment of other existing risks (similar to reputational risk), rather than it being considered a stand-alone risk.

The Firm does not trade on its own account and, its exposure to concentration risk in respect of its investment assets is limited.

The Firm does monitor and manage its concentration risk with respect to clients. The most relevant concentration risk from counterparties/suppliers relates to banking relationships. MMC Treasury closely monitor and manage the Firm's banking relationships, with cash held with high-grade banks and well-diversified AAA rated Money Market Funds, in line with strict criteria, to minimise the concentration risk. The credit rating, total assets and total equity of banks are also monitored to ensure the banks remain within the Firm's criteria.

Liquidity Risk

Liquidity Risk is the risk that a firm, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at an excessive cost.

The Firm's business activities do not involve taking deposits; maturity transformation; taking positions against its balance sheet; or holding collateral; and it is not party to the payment and settlement system. Instead, the business is one of simple cash flow, with liquidity risk management focused on balancing its income and expenditure. Accordingly, the Firm's liquidity risk management framework is aligned to the nature and complexity of the liquidity risks it faces. The Firm would face minimal liquidity risk from either an institution specific event or one which arose from the markets as a whole. The Firm has a strong and highly liquid balance sheet consisting mainly of cash, group debtors under a cash pooling arrangement and trade debtors.

It has a variety of systems and controls designed to help senior management identify, measure, monitor and mitigate liquidity risk. Careful monitoring of revenue and expenditure is a core component of the Firm's understanding and management of its liquidity risk, with a number of key performance indicators monitored.

Corporate cash is held with credit institutions which comply with the global MMC Banking Policy, which defines the minimum financial standards which are necessary to accept and maintain a credit institution as a counterparty and includes strict limits on the funds which can be deposited with each individual institution. The objective of the Policy is to ensure the safety of the funds and maintain adequate liquidity. Adherence to the Policy is monitored at a local UK level and by MMC Treasury.

The department is subject to Sarbanes Oxley reviews and an annual external audit. The reviews enable a further layer of control and good governance to ensure the highest operational standards are maintained, with oversight provided by the Audit Committee.

4.5 Assessing the effectiveness of risk management processes

The Risk function considers the effectiveness of the Enterprise Risk Management Framework (ERMF) and its processes. This includes in preparation for the ICARA process and document. This covers the following:

- Review of the Framework, tools, and systems, including risk reporting and risk registers
- Risk Management activities
- Risk team's interactions and engagement with the business
- FTE, skills and capabilities of the Risk team

This provides a good view of the overall effectiveness of the ERMF in its broadest sense, as it relates to the risk function, risk processes/ activities and risk management across the organisation. This in turn informs the development of the annual plan and highlighted areas for continuous enhancement.

The risk management framework and underlying risk management activities are considered to be in line with the expected maturity for an organisation of the Firm's size, nature and complexity. A strong framework is in place, with a clear view of the top risks and good interaction with and engagement from the business, including in the oversight and management of risk.

The Risk function's focus areas are reported to and discussed at the Executive Risk Committee and the Risk Committee during the year. The Risk Committee conducts oversight in relation to the performance and independence of the risk management function.

An independent risk assessment is conducted by Internal Audit which considers the enterprise's risk universe. Audits are then prioritised according to residual risk and the effectiveness of controls are assessed.

Own Funds Threshold and Liquidity Requirement

5.1 Overview

The Firm's Own Funds are exclusively Common Equity Tier 1. As at 31 December 2023 and during the year, the Firm complied with regulatory own funds requirements in accordance with the rules set out in the FCA's Investment Firms Prudential Regime (IFPR). Tier 1 capital consists of Share Capital, Share Premium and Audited Reserves less disallowable assets.

5.2 Own funds composition

COMPOSITION OF REGULATORY OWN FUNDS (OF1)

	Item	Amount (GBP'000's)	Reference per Financial Statements
1	Own Funds	350,800	
2	Tier 1 Capital	1,415,580	
3	Common Equity Tier 1 Capital	1,415,580	
4	Fully paid-up capital instruments	224,403	Note 25
5	Share premium	632,003	Note 26
6	Retained earnings	486,569	Note 26
7	Accumulated other comprehensive income		
8	Other reserves	72,605	Note 26
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) Total deductions from common equity tier 1	(1,064,780)	Notes 28 & 16
19	CET1: Other capital elements, deductions, and adjustments		
20	Additional tier 1 capital	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) total deductions from additional tier 1		
24	Additional Tier 1: Other capital elements, deductions, and adjustments		
25	Tier 2 Capital	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) Total deductions from tier		
29	Tier 2: Other capital elements, deductions, and adjustment		

5.3 Reconciliation of Regulatory Own Funds to Balance sheet in Audited Financial Statements

The table below shows a reconciliation of own funds in the balance sheet. The information in the table reflects the balance sheet in the audited financial statements at 31st December 2023.

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements (OF2)

		A	B	C
	GBP'000's	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		31-Dec-23	31-Dec-23	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible Fixed Assets	648,470		11
2	Tangible Fixed Assets	4,410		
3	Fixed Asset Investments	56,191		
4	Debtors: amounts falling due after more than one year	325,889		
5	Debtors: amounts falling due within one year	402,446		
6	Cash at bank & in hand	50,868		
7	Pension Asset	416,311		11
8	TOTAL ASSETS	1,904,585		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	(327,702)		
2	Creditors: amounts falling due after more than one year	(20,195)		
3	Deferred Tax	(92,153)		
4	Other provisions	(33,799)		
5	Post retirement medical benefit	(15,157)		
6	TOTAL liabilities	(489,005)		
Shareholders' Equity				
1	Called up share capital	224,403		4
2	Share premium account	632,003		5
3	Other reserves	72,605		8
4	profit and loss account	486,569		6
5	TOTAL Shareholders' Equity	1,415,580		

Own funds: main features of own instruments issued by the firm
Share Capital - allotted, called up and fully paid ordinary shares of £1.00 each. There is only one class of share. Share premium account - represents the premium received above the par value on ordinary share capital transactions.

5.4 Own Funds Requirement

K Factor Requirement ("KFR") and Fixed Overhead Requirement ("FOR")

GBP'000's	31-Dec-23
Σ K-AUM, K-CMH and K-ASA	63,837
Σ K-DTF and K-COH	598
Σ K-NPR, K-CMG, K-TCD and K-CON	0
Total KFR	64,435
FOR	120,438

5.5 Approach to assessing the adequacy of own funds

The internal capital adequacy and risk assessment ("ICARA") is the core risk management process for FCA investment firms. The ICARA is an assessment of the harm a firm may pose to clients and markets as part of its ongoing business and during wind-down.

The Firm will review the adequacy of the ICARA at least once every 12 months and following any material change in the firm's business or operating model. Key risks and harms are reviewed regularly by senior Risk Owners and various governance bodies, with controls operated to reduce risks where appropriate. The ICARA document and associated external disclosures has been reviewed in detail by senior management, the Risk Committee, and the Board.

The analysis of the ICARA and the quarterly regulatory reporting ensures that the firm is compliant and will continue to comply, with overall financial adequacy rules.

On this basis the Board are satisfied that the Firm has sufficient own funds and liquid assets to meet its Overall Financial Adequacy Rule (OFAR) both as to amount and quality to ensure that:

a) it is able to remain financially viable throughout the economic cycle, with the ability to address material potential harm that may result from its ongoing activities; and

b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants

Disclosure of Remuneration Policy and Practices

6.1 Remuneration Practices

Remuneration arrangements are designed to attract, retain, and motivate talented colleagues while complying with the overall Marsh McLennan policies, local legal and regulatory requirements.

The Firm follows the guiding principles established by MMC for its compensation design, decisions, and actions. These principles are in line with our commitment to creating value for our shareholders, while also ensuring a balanced approach to managing risk and reward in our compensation programs, policies, and practices. We aim to foster a strong performance culture by offering both short-term and long-term variable compensation, with the ability to differentiate among individuals based on actual results. Our target compensation levels are set competitively in the markets where we operate, with flexibility to recognise different business models and markets for talent. Furthermore, we strive to maximize the perceived value of our programs by maintaining transparent processes and utilising effective communications.

6.2 Remuneration Governance

The Remuneration Committee, together with the Board, will ensure that the remuneration and compensation policies and practices promote sound and effective risk management, are compliant with relevant legal and regulatory requirements, do not reward failure or irresponsible business conduct and promote awareness of risk and prudent risk taking that is in line with the level of tolerated risk of the firm. Remuneration and compensation policies are in line with the business strategy, objectives, values, and long-term interests of the Group; and support the fair treatment of clients and includes measures to avoid conflicts of interest.

Remuneration plans are reviewed on a regular basis to ensure their effectiveness and sustainability. The Firm will, at least annually, consider the implications on capital, liquidity and risks associated with variable remuneration, to ensure that it does not limit the firm's ability to strengthen its capital base, and that any performance measure used to calculate variable remuneration components or pools thereof take account of and adjust for current and future risks.

The Remuneration Committee oversees the list of Material Risk Takers (MRTs) and their remuneration structures. The Firm has identified its MRTs, defined as a colleague whose professional activities have a material impact on the risk profile of the Firm. The types of roles identified are non-executive directors, Senior Management, and other staff, for example, Business Leaders of Business Units carrying out regulated investment activities and individuals with managerial responsibility for a control function.

For further detail on the Remuneration Committee refer the Governance section above.

6.3 Fixed and Variable Remuneration

Mercer's remuneration principles are focused on paying for performance, and differentiating rewards based on achieved results and demonstrated behaviours. The remuneration approach seeks to remain competitive in the context of the broader colleague value proposition and market conditions; be competitive with similar sized organisations and Mercer competitors, while managing operational expenditures and the long-term interest of Mercer and its clients and shareholders.

Mercer offers colleagues both fixed and variable pay opportunities while operating a pay for performance philosophy, with higher performance resulting in higher pay.

The most common example of fixed pay is Base Salary. Mercer defines Base Salary to be the fixed level of compensation paid to an employee in return for work performed. Base salary is set at the appropriate level in order to be market competitive and attract and retain key talent for the Firm.

Mercer’s incentive schemes are designed to reward and incentivise standout performance and to align the success of Mercer with that of the individual colleague. Our remuneration design and structure focus on all elements of total compensation. Our variable remuneration includes short term and long-term incentives where appropriate. All Colleagues may be eligible to receive various forms of variable remuneration depending on role and seniority.

Common examples of our short-term variable remuneration include our annual discretionary bonus plans, sales incentive plans, recognition schemes / spot bonus awards, referral bonuses, retention bonuses, hiring / sign-on bonuses, project bonuses and severance payments. Short term variable remuneration is generally payable in cash.

For our long-term incentives, Marsh McLennan maintains multiple stock-based payment arrangements under which certain employees may be awarded restricted stock units, stock options and other forms of stock-based benefits. Marsh McLennan’s current practice is to grant non-qualified stock options, restricted stock units ("RSUs") and/or performance stock units ("PSUs") on an annual basis to certain employees as part of their annual total compensation. Senior executives are granted options and PSU awards. In addition, a small group of other employees are granted options, PSU and RSU awards and a larger group of other employees are granted RSU awards.

Restricted Stock Units and Performance Stock Units: Marsh McLennan currently grants RSU and PSU awards under the 2020 Plan. The Marsh McLennan Compensation Committee determines the restrictions on such units, when the restrictions lapse, when the units vest and are paid, and under what terms the units are forfeited. RSU and PSU awards generally have a vesting period of 3 years. Dividend equivalents are not paid out unless and until such time that the award vests and shares are distributed.

Stock Options: Marsh McLennan currently grants non-qualified stock options under the 2020 Plan. The Marsh McLennan Compensation Committee determines when the options vest and may be exercised and under what terms the options are forfeited. Options are generally granted with an exercise price equal to the market value of the Firm's common stock on the date of grant. These option awards generally vest 25% per year and have a contractual term of 10 years.

Additionally, a small number of colleagues may be able to receive Carried Interest awards. Carried interest, or “Carry” is a performance-based fee structure that is common in private markets funds. Typically Carry is only payable once a fund’s performance exceeds a designated level. If the fund does not achieve the required performance, no payout would be received.

All our incentive plans are regularly reviewed and are implemented subject to appropriate controls and approvals.

The various remuneration components ensure we operate an appropriate and balanced remuneration structure.

6.4 Link Between Pay and Performance

The Firm’s three most important performance measures are Total Shareholder Return, Earnings Per Share growth and Net Operating Income (NOI) Growth.

Individual performance is assessed against holistic goals set at the beginning of the year within the relevant goal setting framework covering financial (for example, revenue or NOI goals) and non-financial performance criteria such as client satisfaction, service delivery, quality assurance, people development, and other relevant behaviour and technical competencies. An individual's variable reward outcome is determined by a mix of overall company performance as well as individual performance.

Mercer uses a balanced approach to setting performance goals. This goal setting framework ensures a holistic approach to measuring and rewarding performance. Where sales incentive plans are applicable to colleagues, high standards of individual behaviour and compliance act as a 'gate' through which individuals must pass before becoming eligible to receive incentives under these plans. These behavioural gates are in place for all sales incentive plans including those for MRTs.

Variable pay plans will be assessed against the FCA's remuneration principles and any additional relevant regulatory obligations. The Remuneration Committee will determine whether these plans are appropriately balanced from a risk perspective, which includes consideration of the ratio between fixed and variable remuneration and the structure and duration of deferrals. Based on their assessment, the Remuneration Committee will make recommendations to the Mercer Limited Board as they deem appropriate.

6.5 Risk Adjustment

It is the Firm's policy that remuneration practices do not reward failure and that we do not incentivise poor conduct. To ensure this is not a practice in our severance payments, we have a framework that we utilise to define payments that may be made in the event of an employee leaving including maximum amounts that can be paid. This framework includes assessment of financial and non-financial criteria and ensures we comply with local laws and practices.

The Remuneration Committee has the authority to recommend adjustments to performance-based components of remuneration (variable remuneration) downwards, including to zero, in relation to MRTs and any other identified persons, if such adjustments are necessary to:

- ensure alignment with prudent risk-taking of performance-based components of remuneration;
- respond to significant unexpected or unintended consequences that were not foreseen by the Remuneration Committee.

The intention to only reward performance is reflected in the policy where variable payments are not guaranteed. Variable payments are paid only to individuals who meet standards of performance and behaviour, including conduct.

6.6 Deferral & Vesting

For our MRTs, the deferral and vesting policy is as follows:

- At least 50% of variable remuneration is be paid in equity, which would be managed through the use of MMC stock, the Firm's current practice is to grant non-qualified stock options, restricted stock units and/or performance stock units depending on the role of the MRT. For high earners (>£500K variable), the variable remuneration to be payable in MMC stock is higher, at 60%.
- The minimum period specified for deferral is 3 years and there is an additional 6-month retention period following vesting, during which time the MRT is unable to access the deferred vested remuneration.
- Malus and clawback provisions allow Mercer to reduce variable awards up to 100% and/or clawback funds in the case of relevant triggers being met. These triggers include gross

negligence, conduct with intent or severe negligence that leads to significant losses, or failing to meet the appropriate standards of fit and properness.

- Should there be substantial underperformance of the Firm, as deemed by the Remuneration Committee, a review may be undertaken to consider award reductions for MRTs as part of normal procedures.

MRT remuneration is outlined in the tables below:

Quantitative Disclosures as at 31/12/23

Total Fixed Remuneration	226,278,540
Total Variable Remuneration	49,812,003
Total Number of MRTs	24

	Senior Management	Other MRTs	Other Staff
Total Remuneration	7,396,052	5,121,864	263,572,627
Total Fixed Remuneration	3,031,075	2,715,585	220,531,879
Total Variable Remuneration	4,364,977	2,406,278	43,040,748

	Senior Management (amount)	Other MRTs (Amount)	Senior Management (# receiving)	Other MRTs (# receiving)
Total Guaranteed Variable Remuneration	0	0	0	0
Total Severance awarded in financial year	Not disclosed (relates to 1 or 2 individuals)	Not disclosed (relates to 1 or 2 individuals)	0	0
Highest Severance payment awarded to an MRT	934,149	0	0	0

	Senior Management non-deferred	Senior Management deferred	Other MRTs non-deferred	Other MRTs deferred
Amount and form of variable remuneration				
- cash	2,131,120		1,342,937	
shares		2,233,857		1,278,390
- share-linked instruments				
- other forms of remuneration				

Amount of deferred remuneration awarded for previous periods to vest this period*		2,493,246		934,401
Amount of deferred remuneration awarded for previous periods to vest in future*		2,416,492		851,366
Amount of deferred remuneration vesting in financial year which will be paid out*		2,493,246		934,401
Amount of deferred remuneration vesting in financial year which will not be paid out due to performance adjustments*				

**Due to fluctuating exchange rates across multiple years, these figures are reported in USD.*

The firm relies on the permitted disclosure exemption for one MRT as follows:

Does the firm use exemption for individual MRTs?	Yes
If yes, the provision for the exemption	SYSC 19G.5.9 Exemption for individuals, The provisions do not apply in relation to a *material risk taker* where their annual variable *remuneration* • (a) does not exceed £167,000; and • (b) does not represent more than one-third of X's total annual *remuneration*.
Total # of MRTs benefiting from the exemption	2
Total fixed remuneration for material risk takers benefiting from exemption	Not disclosed (relates to 1 or 2 individuals)
Total variable remuneration for material risk takers benefiting from exemption	Not disclosed (relates to 1 or 2 individuals)

Appendix A – Glossary

Abbreviation	Definition
IFPR	Investment Firms Prudential Regime
MiFIDPRU	Prudential Sourcebook for MiFID Investment Firms
MRT	Material Risk Taker
PMR	Permanent Minimum Capital Requirement (as per MIFIDPRU 4)
KFR	K-Factor Requirement (as per MIFIDPRU 4)
FOR	Fixed Overhead Requirement (as per MIFIDPRU 4)

Annex 1 – Summary of key changes

Section	Summary of Change
2.1 - Mercer Structure	Marsh McLennan India Limited, a subsidiary of the Firm, was de-authorised by the FCA on 7 December 2023 and no longer forms part of the Group.
3.2/3.3 - Board Composition/Board Members	David Anderson, an Executive Director with marketing and sales experience, resigned from the Board with effect from 29 September 2023. Mark Chessher, the new Chief Finance Officer was appointed to the Board with effect from 1 June 2023.

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