FCA Chapter 8 Disclosures

Mercer Alternatives Limited

April 2025

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Contents

Background

The purpose of this document is to set out the MiFIDPRU Chapter 8 Disclosures of Mercer Alternatives Limited as at 31 December 2024.

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 for the year ended 31 December 2024.

1.2 Frequency of Publication

The disclosures will be reviewed at least annually and, if appropriate, more frequently. Disclosures will be available 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 external auditors and does not constitute any form of financial statement. The information should not be relied on in making any judgement on the entity.

Scope and Application

Mercer Alternatives Limited (the "Firm"), an FCA regulated entity that is categorised as per the conditions set out under MiFIDPRU 1.2, as a Small Interconnected ("SNI") MiFIDPRU investment firm.

Mercer Alternatives Limited ("the Company") is part of Marsh & McLennan Companies, Inc group of entities ('MMC' or 'the Group') and provides institutional clients with objectives, thoughtful and well-researched advice on alternative assets, within a culture that is entrepreneurial, client-focused and attuned to clients' fiduciary obligations.

The Company has been executing its strategy of assembling various expert and specialised teams to bring top quality investment advisory services and solutions to clients. It continues to collaborate with its existing clients to build successful, long term, global private market portfolios that meet their specific investment objectives. The Company will no longer bid for new clients and business but continue to manage its existing clients and business going forward.

The complexity of private markets, as measured by the breadth of strategies, structure and terms, has increased dramatically over the last 20 years. The Company works in partnership with its existing clients to assist them in all areas of their decisions and aims to offer a wider range of services providing access to an increasingly deeper pool of resources. The Group continuously maps the private markets universe and maintains relationships with both experienced and emerging managers, resulting in a strong record of access to premier investment opportunities, including:

- Private Equity - Buyouts, Venture Capital, Growth Equity, Turnaround
- Real Assets - Energy, Infrastructure, Timber, Minerals and Mining, Agriculture, Water

- Private Credit, Distressed, Special Situations, Senior/Direct Lending, Mezzanine
- Secondaries and Co-Investments

MAL currently has 8 employees.

Risk Management Objectives and Policies

2.1 Risk Management Framework and Risk Appetite

The Firm has a structured risk management approach and process for identifying, evaluating, managing, reporting, and monitoring the risks to which it is exposed.

The Firm's risk appetite articulates the extent and nature of risk the Firm is willing and able to take to meet its objectives. It is 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 (e.g. investment in improved controls).

2.2 Risk Governance and Three Lines of Defence

The Firm is embedded within the Marsh & McLennan Companies Inc. group and therefore follows the group's established three lines of defence framework. Risk management related matters are escalated through to the Board. The Firm is organised according to three lines of defence model. The First line is ultimately responsible for owning their risks (including identifying, assessing, monitoring managing and reporting on their risks), with the Risk Function (second line) providing guidance, advice, challenge, and market insights and the third line providing independent review and testing which offers important insights on control improvements.

2.3 Risk Profile

The Firm's key risks reflect the risks arising from the strategy and business profile. In line with the business profile, the risk profile is predominantly driven by financial, client service delivery and market risks arising from people, processes, or external market movements. Given that the Firm's core services relate to providing consulting services, some of which are regulated activities, legal/ E&O and regulatory risks also apply.

Categories of risk specified by MIFIDPRU 8.2.1 (see section 3 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.

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. MM 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 MM 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 MM Treasury.

The department is subject to Sarbanes Oxley reviews and an annual external audit.

Own Funds Threshold and Liquidity Requirement

3.1 Overview

The Firm's Own Funds are exclusively Common Equity Tier 1. As at 31 December 2024 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, and Audited Reserves less disallowable assets.

3.2 Own funds composition

COMPOSITION OF REGULATORY OWN FUNDS (OF1)

	Item	Amount (GBP'000's)	Reference per Financial Statements
1	Own Funds	8,405	
2	Tier 1 Capital	8,405	
3	Common Equity Tier 1 Capital	8,405	
4	Fully paid-up capital instruments	1	Note 17
5	Share premium	n/a	
6	Retained earnings	8,404	Note 18
7	Accumulated other comprehensive income		
8	Other reserves	n/a	
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) Total deductions from common equity tier 1	0	Note 15
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		

3.3 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 2024.

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

	A	B	C

		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		31-Dec-24	31-Dec-24	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible Fixed Assets	0		
2	Tangible Fixed Assets	0		
3	Fixed Asset Investments	267,495		
4	Debtors: amounts falling due after more than one year	0		
5	Debtors: amounts falling due within one year	11,087,684		
6	Cash at bank & in hand	849,853		
7	Pension Asset	0		11
8	TOTAL ASSETS	12,205,032		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	(3,799,796)		
2	Creditors: amounts falling due after more than one year	0		
3	Deferred Tax	0		
4	Other provisions	0		
5	Post retirement medical benefit	0		
6	TOTAL liabilities	(3,799,796)		
Shareholders' Equity				
1	Called up share capital	1,000		4
2	Share premium account	0		5
3	Other reserves	0		8
4	profit and loss account	8,404,236		6
5	TOTAL Shareholders' Equity	8,405,236		1

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.

3.4 Own Funds Requirement

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

GBP'000's	31-Dec-24
Σ K-AUM, K-CMH and K-ASA	534
Σ K-DTF and K-COH	0
Σ K-NPR, K-CMG, K-TCD and K-CON	0
Total KFR	534
FOR	673

3.5 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. The ICARA document and associated external disclosures has been reviewed in detail by the Board.

The analysis of the ICARA and the 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

4.1 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 Marsh McLennan for its compensation design, decisions, and actions. These align with stockholder value creation with a focus on balancing risk and reward in compensation programs, policies and practices; support a strong performance culture through short-term and long-term variable compensation, with the ability to differentiate among individuals based on actual results; set target compensation at competitive levels in markets where the Firm operates, with flexibility to recognise different business models and markets for talent; and maximise employees' perceived value of our programs through transparent processes and communication.

4.2 Remuneration Governance

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.

4.3 Fixed and Variable Remuneration

The Firm'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.

MAL 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.

MAL'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, 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 receive an award. 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: The Firm 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 the Firm operates an appropriate and balanced remuneration structure.

4.4 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.

MAL uses a balanced approach to setting performance goals. This goal setting framework ensures a holistic approach to measuring and rewarding performance.

Variable pay plans will be assessed against the FCA's remuneration principles and any additional relevant regulatory obligations to determine if these plans are appropriately balanced from a risk perspective, in terms of the ratio between fixed and variable remuneration and the structure and period of deferrals.

4.5 Risk Adjustment

It is the Firm's policy that remuneration practices do not reward failure and do not incentivise poor conduct. To ensure this is not a practice in its severance payments, the Firm has a framework that is utilised to define payments that may be made in the event of an employee leaving. This framework includes the assessment of financial and non-financial criteria and ensures compliance with local laws and practices.

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.

Quantitative Disclosures as at 31/12/24

Total Fixed Remuneration	980,907
Total Variable Remuneration	471,671

	Senior Management	Other Staff
Total Remuneration		1,452,578
Total Fixed Remuneration		980,907
Total Variable Remuneration		471,671

Appendix A - Glossary

Abbreviation	Definition

IFPR	Investment Firms Prudential Regime
MiFIDPRU	Prudential Sourcebook for MiFID Investment Firms
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)

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