FCA Chapter 8 Disclosures

Mercer UK

April 2025

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Contents

Background

The purpose of this document is to set out the MIFIDPRU Chapter 8 Disclosures of Mercer 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 Report 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 published as soon as practicable after the publication of the Annual Report.

1.3 Verification

The information contained in this document has not and is not required to be audited by the Firm'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 Firm.

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

Mercer Limited (the “Firm”), is an FCA regulated entity.

The Firm’s one regulated indirect subsidiary, JLT Wealth Management Limited is non-trading. Marsh & McLennan Companies, Inc. (Marsh McLennan) is the ultimate parent of the Firm, and its subsidiaries. The Firm is exempt from the obligation to prepare and deliver group accounts (Companies Act 2006, section 401).

The Board of the Firm do not currently foresee any material practical or legal impediment to the prompt transfer of capital resources or the repayment of liabilities (to the extent of limits associated with regulatory capital requirements).

2.1 Mercer Structure

Mercer is a business of Marsh McLennan (NYSE: MMC), the world’s leading professional services firm in the areas of risk, strategy and people, with 85,000 colleagues and annual revenue of over $22 billion. Through its market-leading businesses including Mercer, Marsh, Guy Carpenter and Oliver Wyman, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.

Mercer 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 and the firm operates in 130 countries. Within the UK, Mercer has circa 2,600 colleagues.

The table below sets out the Firm and its FCA regulated subsidiary as at 31st December 2024:

No.	Entity	Companies House status	FCA Regulatory status
1	Mercer Limited	Active	Authorised - Regulated
2	JLT Wealth Management Limited (Non-Trading)	Active	Authorised - Regulated

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 Firm through periodic review of the relevant management responsibility map and the documented statements of responsibility for all Directors, Executives, and senior management within the Firm´s business and functional support departments.

The Firm’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 2024, 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 the Mercer UK Wealth Business Leader.

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 Marsh McLennan group, (non-executive roles)
Diana Brightmore-Armour	Independent Non-Executive Director Audit Committee Chair Nominations Committee member Remuneration Committee member	1 external to Marsh McLennan group (executive role)
Catrina Holme	Non-Executive Director Nominations Committee member Remuneration Committee Chair Risk Committee member	1 external to Marsh McLennan group (executive role)
Benoit Hudon	Executive Director Chief Executive Officer	3 Marsh McLennan group companies (executive roles)
Tony O´Dwyer	Executive Director Chief Finance Officer	30 Marsh McLennan group companies (executive roles, most of these companies are dormant or do not trade)
Phil Parkinson	Executive Director Wealth Business Leader	2 Marsh McLennan group companies (executive roles)

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.

In 2024, the Firm has increased the percentage of women in senior positions by 2% to 33%. The Firm aims to continue this process and is setting an aspiration to have the percentage of women in senior positions reach 40% by 2028. Additionally, the Firm has also seen a 2% increase in the percentage of ethnic minority colleagues at the senior level.

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.

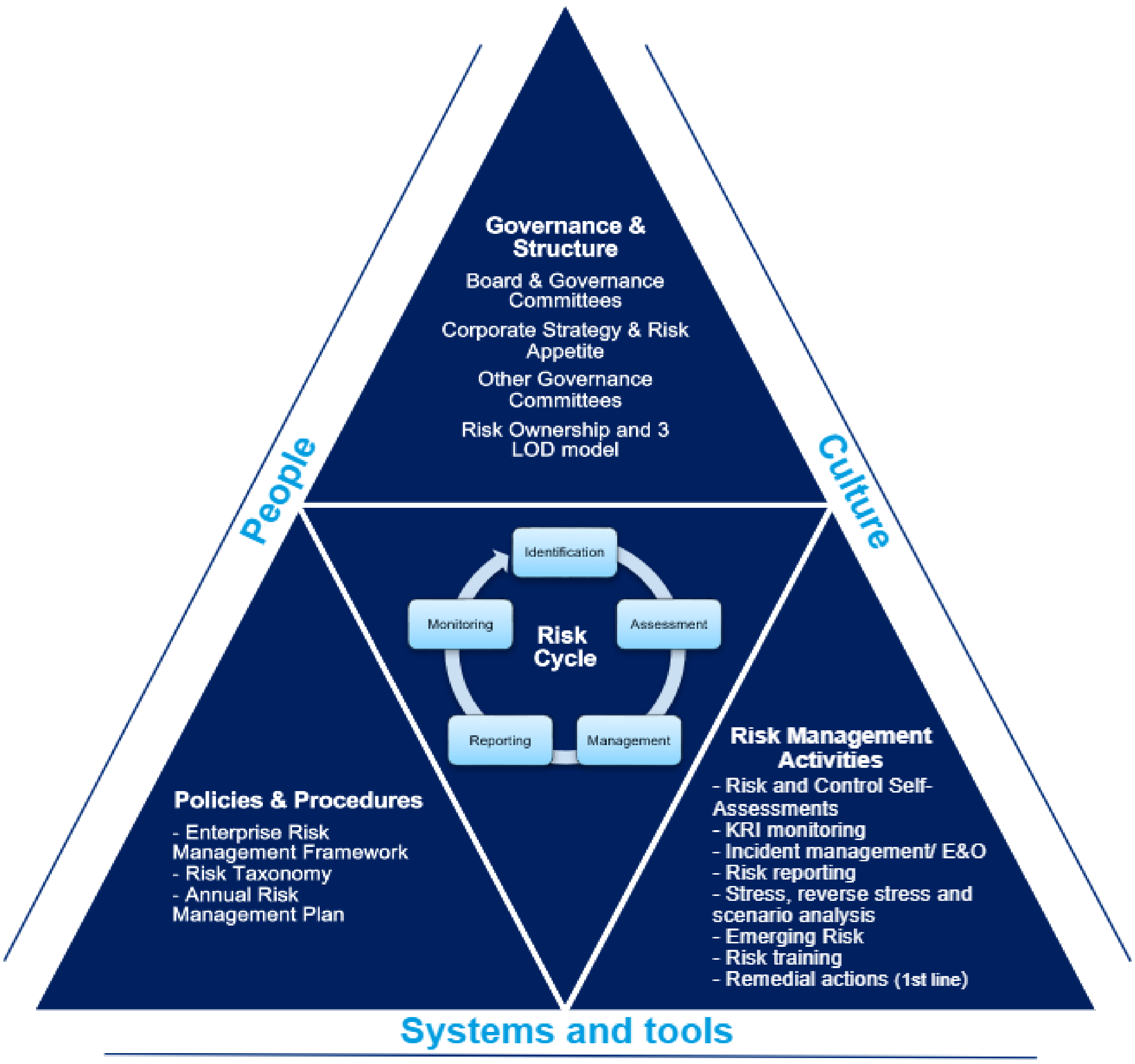
Executive Leadership Team
The Executive Leadership Team has been established by the Chief Executive Officer, to assist in the day-to-day management of the Firm and meets no less than once a fortnight.

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

Marsh McLennan UK's Enterprise Risk Management (ERM) Framework 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 ERM Framework. It summarises the key elements of the ERM Framework, necessary to embed risk across the Firm.



To support the effective embedding of the ERM Framework, the following components have been developed:

• Clear **Governance and Structure**, including appropriate risk governance bodies and embedding of the Three Lines of Defence Model.

• The necessary **Policies & Procedures** to help ensure consistency and clarity.

• **Risk Management activities**, which are the toolkit of activities/ processes through which risks are identified, assessed, managed, reported on and monitored in practice.

4.2 Risk Governance

The risk governance structure provides a strong foundation for the management of risk throughout the firm. Risk management related matters are escalated through the governance channels as appropriate. 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.

4.3 Roles and Responsibilities and Three Lines of Defence

Clearly articulated and well understood roles and responsibilities across the first line, the second line and third line of defence is critical to effective risk management. Marsh McLennan in the UK is organised according to three lines of defence model (3LoD). The First line is ultimately responsible for owning their risks (including identifying, assessing, and managing their risks), with the Risk Function (second line) providing guidance, advice, challenge, and market insights. The Third line undertakes regular reviews and testing which provide important insights on areas where controls should be improved.

4.4 Risk Appetite and Risk Escalation

The Firm's Risk Appetite Statements ("RAS") set the extent and nature of risks the Board is prepared to accept in order to achieve its strategic goals and objectives. They are therefore an important mechanism through which management and colleagues 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). The RAS will be ratified by the Board on an annual basis.

Adherence to Risk Appetite is reviewed and monitored through the RCSA process, KRI monitoring and Risk reporting to UK Risk Committees and the Board. In particular, the risk committees receive reporting on risks, including those outside of appetite. The committees provide oversight and challenge on any (remedial) actions required in response to breaches or near-breaches of appetite. There are defined criteria for the escalation of risks, with Risk Owners ultimately responsible for ensuring potential/ near/ actual breaches of appetite are escalated through the appropriate channels in a timely manner.

4.5 Risk Profile

Risk identification is the structured understanding of the current and emerging risks facing the Firm, helping to build a sound understanding of the Firm's overall risk profile. This includes risks arising from, as well as risks to, its strategy (including competitiveness risks and financial risks), objectives, business plans and business activities, as well as external threats. 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. 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. Mercer 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. This includes as part of Financial Risk and Strategic Risk. Given that Mercer does not trade on its own account/ book, its exposure to concentration risk in respect of its investment assets is limited. Mercer does monitor and manage its concentration risk with respect to clients. The most relevant concentration risk from counterparties/ suppliers relates to banking relationships. Treasury closely monitor and manage Mercer'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 actively 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 relatively low complexity of the liquidity risks it faces.

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.

4.6 Assessing the effectiveness of risk management processes

The Risk function regularly considers the effectiveness of the ERMF and associated processes, as part of the annual planning process. As part of the annual planning process, the Risk Function considers any activity that can be developed and enhanced, which are then discussed and agreed with key stakeholders including the Executive and Board Risk Committees.

The risk management framework and underlying risk management activities are considered to continue to be in line with the expected maturity for an organisation of Mercer'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.

Own Funds Threshold and Liquidity Requirement

5.1 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, 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	417,721	
2	Tier 1 Capital	1,327,947	
3	Common Equity Tier 1 Capital	1,327,947	
4	Fully paid-up capital instruments	224,403	Note 25
5	Share premium	632,003	Note 26
6	Retained earnings	390,452	Note 26
7	Accumulated other comprehensive income		
8	Other reserves	81,089	Note 26
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) Total deductions from common equity tier 1	(910,226)	Notes 29 & 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 31 December 2024.

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-24	31-Dec-24	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible Fixed Assets	535,676		11
2	Tangible Fixed Assets	4,090		
3	Fixed Asset Investments	53,995		
4	Debtors: amounts falling due after more than one year	15,497		
5	Debtors: amounts falling due within one year	791,611		
6	Cash at bank & in hand	52,137		
7	Pension Asset	374,550		11
8	TOTAL Assets	1,827,556		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	(370,167)		
2	Creditors: amounts falling due after more than one year	-		
3	Deferred Tax	(81,253)		
4	Other provisions	(27,175)		
5	Post retirement medical benefit	(21,014)		
6	TOTAL liabilities	(499,609)		
Shareholders' Equity				
1	Called up share capital	224,403		4
2	Share premium account	632,003		5
3	Other reserves	81,089		8
4	Profit and loss account	390,452		6
5	TOTAL Shareholders' Equity	1,327,947		

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-24
Σ K-AUM, K-CMH and K-ASA	61,276
Σ K-DTF and K-COH	19
Σ K-NPR, K-CMG, K-TCD and K-CON	0
Total KFR	61,295
FOR	110,938

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.

Disclosure of Remuneration Policy and Practices

6.1 Remuneration Practices

Remuneration arrangements are designed to attract, retain, and motivate talented colleagues while complying with 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 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. The Firm aims 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 that the Firm operates in, with flexibility to recognise different business models and markets for talent. Furthermore, the Firm strives to maximise 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 our remuneration 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. Additionally, our remuneration policies align with the business strategy, objectives, values, and long-term interests of the Group, while supporting the fair treatment of clients and incorporating 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 account for 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, be competitive with similar sized organisations and Mercer competitors and keep pace with market conditions, At the same time, it seeks to manage operational expenditures while safeguarding the long-term interests of Mercer, its clients, and its 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 the Firm operates 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 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 including maximum amounts that can be paid. This framework includes assessment of financial and non-financial criteria and ensures compliance 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 Marsh McLennan 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 Marsh McLennan 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.
- Ex-post risk adjustment 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 31/12/24

Total Fixed Remuneration	183,421,913
Total Variable Remuneration	52,981,964
Total Number of MRTs	24

	Senior Management	Other MRTs	Other Staff
Total Remuneration	4,631,396	4,872,630	226,899,851
Total Fixed Remuneration	2,016,746	2,791,409	178,613,757
Total Variable Remuneration	2,614,650	2,081,220	48,286,094

	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	0	0	0	0
Highest Severance payment awarded to an MRT	0	0	0	0

	Senior Management non-deferred	Senior Management deferred	Other MRTs non-deferred	Other MRTs deferred
Amount and form of variable remuneration				
- cash	1,180,150		1,047,420	
shares		1,434,500		1,033,800
- share-linked instruments				
- other forms of remuneration				
Amount of deferred remuneration awarded for previous periods to vest this period*		1,654,402		1,287,143
Amount of deferred remuneration awarded for previous periods to vest in future*		1,566,376		1,266,043
Amount of deferred remuneration vesting in financial year which will be paid out*		1,654,402		1,287,143
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	1
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
FOR	Fixed Overhead Requirement (as per MIFIDPRU 4)
IFPR	Investment Firms Prudential Regime
KFR	K-Factor Requirement (as per MIFIDPRU 4)
K-ASA	K-Factor Requirement on basis of Assets Safeguarded & Administered
K-AUM	K-Factor Requirement on basis of Assets Under Management
K-CMH	K-Factor Requirement on basis of Client Money Held
K-DTF	K-Factor Requirement on basis of Daily Trading Flow
K-COH	K-Factor Requirement on basis of Client Orders Handled
K-CMG	K-Factor Requirement on basis of Clearing Margin Given
K-CON	K-Factor Requirement on basis of Concentration Risk
K-NPR	K-Factor Requirement on basis of Net Position Risk
K-TCD	K-Factor Requirement on basis of Trading Counterparty Default Risk
MiFID	Market in Financial Instruments Directive
MIFIDPRU	Prudential Sourcebook for UK MiFID framework for Investment Firms
MRT	Material Risk Taker
PMR	Permanent Minimum Capital Requirement (as per MIFIDPRU 4)

Annex 1 – Summary of key changes

Section	Summary of Change
2.1 Mercer Structure	Mercer Limited is no longer required to submit consolidated FCA reporting.
3.2/3.3 - Board Composition/Board Members	Philip Parkinson, the Mercer UK Wealth Business Leader, was appointed to the Board with effect from 28 March 2024. Tony O'Dwyer, the new Chief Financial Officer, was appointed to the Board with effect from 1 November 2024, replacing Mark Chessher who resigned effective as of the same day.
3.6 Diversity	Mercer has redefined how senior positions are categorised within the firm. The proportion of women in these roles has been reported based on this new categorisation, along with a corresponding update to our aspirational vision for 2028.

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