

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

SECTION 172 (1) OF THE COMPANIES ACT 2006 (THE "ACT") STATEMENT

The Wates Corporate Governance Principles for Large Private Companies serves as the framework to demonstrate how Directors have had regard for the matters set out in section 172(1)(a) to (f) of the Act when performing their duties, including how Directors have engaged with and considered the interests of stakeholders including the Company's shareholder, employees, suppliers, customers; and other stakeholders such as the environment and local communities within which the Company operates. Reporting against the Wates Principles is included in the Corporate Governance Statement below.

Corporate Governance Statement

For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies which can be found at <https://www.wates.co.uk/articles/insight/the-wates-principles-report/?hub=who-we-are--corporate-governance>. The Directors have set out below an explanation of how the Wates Principles have been applied during the 2022 year.

Principle 1 – Purpose and leadership

“An effective board develops and promotes the purpose of the Company, and ensures that its values, strategy and culture align with that purpose.”

It is understood by the Board that purpose guides the Company's culture and provides a framework for consistent decision-making. As a subsidiary of Marsh & McLennan Companies Inc., the Company shares the Group's purpose to build brighter futures by redefining the world of work, reshaping retirement and investment outcomes and unlocking real health and wellbeing for its clients. By combining economics with empathy, the Company's ultimate purpose is to make a difference to people's lives. The Group's vision and strategy, set by MMC, is applied by the Company to consider the UK market within which the Company operates. The Board has delegated responsibility to formulate the Company's strategy to the Chief Executive Officer ('UK CEO'), who formulates: the Company's strategic objectives within the risk tolerance set by the Board; develops business plans, budgets and operating strategies; and defines financial objectives. The Board receives regular updates on delivery of the Company's strategy. The Board has a strong understanding of the Company's culture, as it guides strategy and helps drive long-term value for the Company's shareholder and wider stakeholders. The Company's culture unifies the firm and promotes ethical business conduct by all colleagues. All colleagues, including the Board, reaffirmed their commitment to the Group's Code of Conduct, The Greater Good, during 2022. The Greater Good is the touchstone of the culture and value that unites colleagues within the Company, and within the wider Group.

Management monitors culture through employee surveys, absenteeism rates and exit interviews, and reports to the Board periodically. Employees are encouraged to report concerns relating to business integrity and conduct through established whistleblowing processes, and anonymised concerns are reported to the Board periodically.

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Principle 2 – Composition

“Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the Company.”

The size of the Board is guided by the scale and complexity of the Company’s business. Consideration is given to the size and structure of the Board to facilitate effective decision-making, and the Board believes that its size and structure provides a balance of skills, backgrounds, experience and knowledge necessary to oversee the Company’s business.

During 2022, the Board comprised an independent Non-Executive Chair, two further independent Non-Executive Directors, the UK CEO, the Chief Financial Officer, and an additional Executive Director, Mercer’s Global Chief Commercial Officer. Appointments to the Board promote diversity in line with the Equalities Act 2010 and the Company’s Diversity and Inclusion aspirations.

The Company maintains separate Chair and UK CEO roles to ensure there is a balance of responsibilities, accountability and effective decision-making. The Chair leads the Board and is responsible for its overall effectiveness, promoting and facilitating open and constructive debate. The Chair ensures that all directors have appropriate information and sufficient time for meaningful discussion and is supported by the Company Secretary in the provision of timely information and the preservation of good communication flows between the UK Executive Leadership Team and the Board.

The Company 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 executive management in the areas of remuneration, risk, audit and internal controls.

The Company demonstrates a commitment to ongoing professional development of the Board through the delivery of annual training sessions for statutory directors and senior managers, at which, legal, regulatory and governance priorities are discussed with subject-matter experts.

The Nominations Committee oversees Board succession planning and appointments, assisting the Board in identifying individuals qualified to become Board members and making appropriate recommendations to the Board. The Nominations Committee oversees the delivery of induction programs to new members of the Board, ensuring that the program is tailored to specific experience and knowledge. On an ongoing basis, the Nominations Committee reviews the overall composition of the Board to ensure there is the diversity of thought, experience and expertise necessary to govern the Company.

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Principle 3 - Responsibilities

“The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision making and independent challenge.”

The Board is guided by its terms of reference, which provide a framework for governance practices and clearly set out the Board’s overall leadership responsibility and matters reserved for its consideration and approval; whilst delegating to the UK CEO and the UK Executive Leadership Team, the day to day running of the operations of the Company. As corporate governance and business practices evolve over time, the Board reviews its terms of reference and other governance policies annually and approves or updates them as necessary.

In accordance with regulatory requirements applicable to the Company, all Directors, members of the UK Executive Leadership Team and Senior Managers within the Company’s business and functional support departments have clearly documented statements of responsibility for the matters under their remit. These statements of responsibility are collated into a Management Responsibilities Map which is reviewed by the Audit Committee on a quarterly basis and provides the Board with a clear view of individual responsibilities and accountability across the Company.

The Board has established Committees to assist it in providing oversight, challenge and guidance to the Executive Leadership Team in the areas of Risk, Audit and Remuneration. The responsibilities of the Committees, including decision-making authority and escalation processes, are outlined in terms of reference which are annually reviewed by the respective Committees and the Board. All Committees are chaired by Non-Executive Directors and Committee membership is comprised of a majority of Non-Executive Directors. Committee Chairs are responsible for escalating and advising the Board on matters within their remit on a quarterly basis, or more frequently if required.

The Board operates a programme of four scheduled meetings a year, with ad hoc meetings held as and when required. In 2022, the Board met a total of six times.

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 Company and make informed decisions. The Board receives regular and timely information on all matters required to maintain oversight of the Company’s business, including reports on business and financial performance, key strategic risks and opportunities, operational matters, market conditions, human resources, legal, compliance, audit and regulatory matters. All information provided to the Board is prepared by subject matter experts with the relevant experience and skills necessary to ensure the integrity of information presented.

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Principle 4 - Opportunity and Risk

“The Board should promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establish oversight for identification and mitigation of risks.”

The Board promotes the long-term success of the Company by identifying opportunities to create and preserve value, while maintaining oversight of risk.

The Board considers and assesses how the Company creates and preserves value over the long-term. This requires the Board to consider both tangible and intangible sources of value, and the stakeholders that contribute to it. The UK CEO provides an update at each meeting detailing key business initiatives, future plans for value creation, and business leaders present to the Board on a periodic basis. In 2022, the Board met with members of the UK Executive Leadership Team to review and discuss business strategy and plans for each line of business, including a consideration of short and longer-term strategic opportunities for the Company.

The Board has responsibility for the Company’s overall approach to risk management and has delegated this oversight responsibility to the Risk Committee. The Risk Committee is supported by a sub-committee, the Executive Risk Committee (ERC). The Risk Committee recommends the Company’s risk appetite and tolerance to the Board annually and receives regular reports from the Chief Risk & Compliance Officer on risk taking relative to performance. The Company’s key risks have been outlined in the Strategic Report on page 9 to 11.

Principle 5 - Remuneration

A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the Company.”

The Board promotes executive remuneration structures that align to the long-term, sustainable success of the Company. The Company’s remuneration structures are subject to the Remuneration Policy, and the Board has delegated authority to the Remuneration Committee to review the Company’s Remuneration Policy and compensation practices with a view to ensuring they are consistent, promote effective risk management and align to the Company’s business strategy, values and long-term objectives.

In November 2022, the Board approved the Company’s Remuneration Policy, upon the recommendation of the Remuneration Committee. The Remuneration Committee reviewed the remuneration packages of all FCA Material Risk Takers (MRTs) within the Company for the 2022 financial year to ensure that executive performance was remunerated for financial performance and qualitative measures aimed at preserving the legal, regulatory and reputational health of the Company. The Remuneration Committee also reviewed and challenged management on high-level remuneration and performance data for all colleagues during the Company’s annual compensation process to ensure remuneration proposals for the Company’s employees were balanced, proportionate and aligned with the Company’s diversity and inclusion aspirations.

The Board is committed to improving the Company’s Gender Pay Gap. The Company’s latest Gender Pay Gap Report, which was reviewed by the Board prior to publication is available at:

<https://www.uk.mercer.com/content/dam/mercer/attachments/europe/uk/pdf-2022-uk-gender-pay-gap-report.pdf>

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Principle 6 – Stakeholder Relationships and Engagement

“Directors should foster effective stakeholder relationships aligned to the Company’s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.”

The Board is clear that good corporate governance and effective communication are essential on a day-to-day basis to deliver the Company’s purpose; and to protect the Company’s brand, reputation and relationships with all stakeholders, including the Company’s shareholder, clients, employees, suppliers, the environment and the local communities within which the Company conducts business. The Board ensures there are channels to receive appropriate feedback from discussions with all stakeholders and has clearly outlined in its terms of reference that its purpose is to generate value for its shareholder and to ensure the sound and prudent management of the firm, with due regard for the interests of the Company’s other stakeholders.

Shareholder

As a wholly owned subsidiary, the Board considers the views of its ultimate shareholder Marsh & McLennan Companies, Inc., and the interests of the Group in all decisions and transactions undertaken by the Company. The Company’s Executive Directors provide the primary channel of communication between the Company, its ultimate shareholder and the Group.

Distributions to the Company’s shareholder are considered after a full assessment of the Company’s capital adequacy and ability to continue as a going concern into the foreseeable future. The Board also balances the ability to invest in future growth, with stable and sustainable returns for the shareholder. Further information on dividends is set out in the Notes to the Financial Statements on page 41.

Clients

The Company is committed to ensuring that all clients are treated fairly, that positive client outcomes are achieved, and that client interests are considered as part of decision making at every level within the Company, including decisions to launch any new product or service.

The UK CEO and UK Executive Leadership Team meet with key clients and monitor client experience management ('CEM') exercises conducted by the business during the year and adjust client engagement methods as appropriate to maintain client satisfaction.

The Audit Committee reviews the effectiveness of key business processes and controls to ensure high levels of service and positive client outcomes, whilst the Risk Committee monitors key risk indicators in this regard, including completion levels of employee induction and training, error and omission and complaints data and trends, actions taken to areas of concern and time to resolution. High level reporting and items of significant concern are reported to the Board on a quarterly basis or more frequently if required.

Employees

It is the Company’s policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current and future job prospects and working environment. Throughout 2022, regular colleague engagement surveys were conducted and the results reviewed by Management and the Board. The Company had in place a forum of Mercer Employee Representatives (the 'MER') which comprises elected representatives from across all offices and lines of business and is chaired by a member elected from within the employee representatives. The MER meets at least monthly and is engaged to provide feedback to the UK Executive Leadership Team on policy amendments, proposals for changes to benefits and to support colleagues when changes to structure are proposed.

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Principle 6 – Stakeholder Relationships and Engagement (continued)

Employees (continued)

The Board monitors attrition rates and measures absenteeism levels in an effort to identify emerging people risks and trends and to ensure appropriate action is taken to address these. Emerging people risks and trends are highlighted to the Board by Management, together with proposed action plans.

The Board and UK Executive Leadership Team remain committed to delivering the Company's diversity and inclusion strategic target of 45% female population in senior employment grades by 2027, achieving 50% representation by 2030. The Board and UK Executive Leadership Team have similar ethnically and racially diverse ('E&RD') mandates that aim to increase representation of all E&RD colleagues to 15% by 2027.

Suppliers

Marsh Corporate Services Limited reports on the Group's supplier payment practices on a biannual basis, and results are monitored by the Audit Committee. The Company's latest results can be found at <https://check-payment-practices.service.gov.uk/report/68229>

All suppliers are required to comply with modern slavery legislation under the standard terms and conditions of the Company's contracting agreements and MMC Global Sourcing and Procurement ('GSP') in the UK issue an annual modern slavery supplier questionnaire to certain suppliers (selected on a risk-based approach) to assess potential exposure to risk of non-compliance. The Board is committed to ensuring that slavery and human trafficking is not taking place in any of the Company's supply chains. Further detail on actions taken by the Company in compliance with the Modern Slavery Act 2015 is set out on page 13 of the Directors Report.

Community and Environment

The Company and the Group as a whole, recognise that in a world facing increasing risk and uncertainty, supporting our communities is more important now than ever before. Given the Group's expertise in risk, strategy and people, social impact efforts are focused on building resilient communities through mentoring and disaster response and rebuilding. By aligning its social impact programmes with the business priorities and experience, the Group is able to demonstrate its commitment to its communities in the UK while supporting the business.

In 2022, the Group partnered with select strategic global non-profit organisations including Ambitious About Autism and Blueprint for All.

The Group has developed climate initiatives which represent a tangible step toward building a more sustainable environment for colleagues, clients, shareholders and future generations. More information on the initiatives may be found in the Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency Action report on page 14.