

DRAFT - SECTION 172 (1) STATEMENT

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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 UK employees, suppliers, customers and those in a principal business relationship with the Company. Reporting against the Wates Principles is included in the Corporate Governance Statement below.

Corporate Governance Statement

For the year ended 31 December 2019, 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 www.wates.co.uk/who-we-are/corporate-governance. The Directors have set out below an explanation of how the Wates Principles have been applied during the 2019 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."

Purpose

The Company forms part of the Marsh & McLennan Inc. Group of Companies (the "Group"), a global professional services provider, specialising in the areas of risk, strategy and people. These services are delivered through four businesses, namely Marsh, Mercer, Guy Carpenter and Oliver Wyman. The Company, as part of the Mercer business, provides advice and technology-driven solutions that help organizations redefine the world of work, reshape retirement and investment outcomes and unlock health and wellbeing for a changing workforce, the ultimate purpose of which is to make a difference to people's lives.

Strategy

2019 was a year of significant change and transition for the Company and the Group as a whole, following the completion of the acquisition by MMC of JLT on 1 April 2019, which represents the largest transaction in the Group's history. In addition, the Board of Directors of the Company (the "Board") appointed a new Chief Executive Officer and Chief Financial Officer on the 9th and 26th of July 2019 respectively.

The principal strategic focus of the Board during 2019 has been to oversee plans for the successful integration of the legacy JLT UK Employee Benefits business into the Company. With a new Chief Executive Officer in place, the Board has begun work to reshape the strategy, values and culture of the Company with a view to ensuring that, following completion of the integration, these align with the Company's purpose and that its business and people are organised and deployed in a way that ensures the success of the Company in the long term.

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."

Chairman

The Company has a Non-Executive Chairman who was independent upon appointment. The roles and responsibilities of Chairman and Chief Executive Officer are separate and are clearly defined and documented to ensure that there is a balance of responsibilities, accountabilities and decision-making across the Company. The Chairman is responsible for the ethical leadership and effective operation of the Board, including establishing the framework and procedures to govern the work of the Board and to support Directors in the discharge of their legal and regulatory obligations.

Balance and Diversity & Size and Structure

The Board comprises a Non-Executive Chairman, two Non-Executive Directors, Strategy Leader, Chief Executive Officer, Chief Financial Officer, and an additional Executive Director, the President of Mercer's International Region. Board members have a diverse range of skills, expertise and experience, including experience in the fields of actuarial science, marketing, sales, accountancy, and law. There are an equal number of male and female Directors on the Board, and both the Chairman and CEO are female.

The Non-Executive Directors are responsible for bringing independent and objective judgment to Board deliberations, constructively challenging and monitoring performance of executive management and obtaining assurance that the Company's legal and regulatory requirements have been met.

The Board's composition is under consideration, in order to ensure that the Board has the appropriate mix of skills, backgrounds and diversity to meet the strategic needs of the Company in the future, and that it reflects the increased scale of the Company as it integrates the legacy JLT UK employee benefits business in 2020.

The Directors have equal voting rights when making decisions, except the Chairman, who has a casting vote. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Company's expense.

The duties of the Board are executed partially through committees. The Non-Executive Directors chair and are members of relevant committees so that they are able to challenge and influence a range of areas across the Company, including in Remuneration, Audit, Compliance, Risk and Board and Executive appointments.

Effectiveness

Directors keep their skills, knowledge and familiarity with the Company up to date by meeting with senior management, and by attending company events and appropriate external seminars and training courses. Induction materials and briefing sessions are provided to new Directors which are tailored to their specific experience and knowledge and which provides access to all parts of the business.

The Board undertook an effectiveness evaluation facilitated by the Company Secretary at the end of 2019, the objective of which was to stimulate open and honest discussion by the Board with a view to identifying opportunities for Board development and improvement in 2020.

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."

Accountability

The Group has in place a well-developed and embedded global operating framework which sets out Group operating rules, policies, and delegations of authorities. In addition, the Company has established a standalone governance framework, including well developed and clearly documented terms of reference for the Board, which are aligned to the global operating framework, and which have been designed to meet the Company's requirements on a standalone basis. The terms of reference set out the Board's responsibility for leading and directing the affairs of the Company, with consideration for the interests of other stakeholders

and there are clear delegations of authority in place between the Board, its Committees and the UK Executive Leadership Team. The Board operates a programme of four scheduled meetings a year, with ad hoc meetings held as and when required. In 2019, the Board met a total of eight times.

The Board has reserved certain principal matters for its own approval, and has delegated the day to day management of the Company to the Chief Executive Officer and the UK Executive Leadership Team, which also operates under clearly documented terms of reference, setting out duties, responsibilities and delegated authorities.

The UK Executive Leadership Team is chaired by the Chief Executive Officer and its membership comprises of the leaders for the Wealth, Health and Career businesses and the CFO, Human Resources Leader and Chief Legal Counsel. The Chief Executive Officer and each individual member of the UK Executive Leadership Team have clearly documented roles and responsibilities, which are reviewed and approved on a quarterly basis.

Committees

In addition, the Board has delegated certain governance responsibilities to its Audit, Risk, Remuneration and Nominations Committees, each of which have clearly documented terms of reference. The membership of these committees include Non-Executive Directors who provide independent challenge and support effective decision making.

The Board, its committees and the UK Leadership Team regularly review terms of reference to ensure that they remain fit for purpose, are adapted to promote good governance and meet the requirements of the Company as they evolve. Committees undertake annual assessment of performance against terms of reference and report to the Board on this.

Integrity of Information

The Board receives quarterly reports on business and financial performance, key risks and opportunities, strategy, operational matters, market conditions, human resources, legal, compliance, and regulatory matters.

Key financial information is collated by the Group's centralised finance function from its various accounting systems. The Group's finance function has the appropriate independence, expertise and qualifications to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is externally audited by Deloitte LLP on an annual basis, and financial controls are routinely reviewed by the Group's centralised internal audit function, staffed by 67 people globally, with 20 colleagues dedicated to the Group's UK businesses. Other key information is prepared by the relevant business and internal functions, which are also subject to periodic reviews by the internal audit function.

The Audit Committee is responsible monitoring the effectiveness of Group's internal financial control systems that identify, assess, manage and monitor financial risks, and the effectiveness of other operational and regulatory controls within the business. The Audit Committee membership comprises two Non-Executive Directors, and the Leader for Financial Planning and Analysis for Mercer's International Region.

The Audit Committee receives quarterly reports from the Company's Financial Controller, Risk and Compliance Function and the Group's Internal Audit function on control related findings and it monitors executive management responses to these to ensure recommendations for remediation are implemented. The Committee is also responsible for overseeing the effectiveness and independence of the Internal Audit and Compliance functions.

The Chief Risk and Compliance Officer and members of the Group's Internal Audit function are permanent attendees at every Audit Committee meeting, and have unfettered access to meet with the Committee Chairman outside of the formal meeting programme throughout the year.

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."

Opportunity

The Board meets with the UK Leadership Team on a bi-annual basis to review, advise on and approve the Company's strategic plan, which includes a consideration of long term strategic opportunities. Short term opportunities to improve business performance and achieve operational efficiencies are considered by the UK Executive Leadership Team on a weekly basis and reported to the Board at its scheduled quarterly meetings.

Risk

The Risk Committee assists the Board in fulfilling its responsibility for determining the Company's risk appetite and for ensuring that sound risk management and internal control systems are maintained.

The Risk Committee meets on a quarterly basis and its membership comprises two Non-Executive Directors and the Chief Financial Officer. Each meeting is attended by the Chief Risk and Compliance Officer and the Chief Executive Officer, who report to the Committee on the Company's aggregate operational and regulatory risk exposure, which is monitored in detail by the UK Executive Leadership Team and the Chief Risk and Compliance Officer. Executives and other Senior Managers attend Risk Committee meetings during the year to report on significant risk items as required.

Through the quarterly review of the Company's risk book and registers and with specific focus on the Company's top and material risks, the Risk Committee keeps under review the Company's overall risk assessment processes and the effectiveness of the Company's risk management systems. The Risk Committee also sets the standard for ensuring the accurate and timely monitoring of large exposures and certain risk types of critical importance and ensures that these are escalated to the Board as appropriate, including any breach to risk appetite/tolerance.

On an annual basis (or more frequently if required), following review by, and upon the recommendation of the Risk Committee, the Board approves the Company's risk appetite, tolerance and strategy. The Board also undertakes an assessment of the Company's risk management framework on an annual basis to ensure that it remains appropriate.

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."

In accordance with regulatory requirements, the Company has in place a formal documented Remuneration Policy, which is reviewed by the Remuneration Committee periodically and approved by the Board on at least an annual basis.

The Remuneration Committee, which is chaired by an independent non-executive director, is responsible for ensuring that the Remuneration Policy and compensation practices of the Company are consistent with, and promote, sound and effective risk management, are in line with business strategy, objectives, values and the long term interests of the Company, encourage fair treatment of clients, and include measures to avoid conflicts of interest. In carrying out its responsibilities, the Committee considers:

(a) the success and appropriateness of the risk and reward mechanisms available to the business to align the success of individual colleagues with the success of the business in a risk adjusted context; (b) benchmarks, at a market level, against the stated employee value propositions referencing both remuneration and benefits strategies; and (c) the extent to which remuneration structures support the business and development plans and succession planning needs.

The remuneration packages of all executive directors and senior managers in the Company (including base salary, bonuses, performance-related payments, discretionary payments, long-term incentive awards, share options and pension contributions) are reviewed and approved by the Remuneration Committee in order to ensure that executive performance is remunerated not only on financial performance, but also on measures that ensure the legal, regulatory and reputational health of the Company.

As part the Company's annual compensation process, the Committee reviews and challenges management on high level remuneration and performance data for all colleagues with a view to ensuring that remuneration proposals for the workforce as a whole are balanced, proportionate and aligned with the Company's commitment to building a diverse and inclusive workforce.

The Company produces a Gender Pay Gap Report on an annual basis, which is scrutinised and discussed by the Board prior to publication. The Company is committed to continue improving the Company's Gender Pay Gap. For further details in this regard, please refer to the Company's latest Gender Pay Gap Report which can be found at <http://www.uk.mercer.com/content/dam/mercer/attachments/europe/uk/uk-2019-mercer-gender-pay-gapfinal.pdf>.

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 has clearly outlined in its terms of reference its purpose, which 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, including clients, employees, suppliers and the wider community.

Shareholder

As a wholly owned subsidiary, the Board duly considers the views of its ultimate shareholder, Marsh & McLennan Companies Inc., and the interests of the Group as a whole as part of any major decisions and transactions undertaken by the Company. The Chairman of the Board and the Executive Directors provide the primary channel of communication between the Company, its shareholder and the wider Group. The Greater Good, which is the Group's Code of Conduct, applies to all Directors and employees of the Company and it embodies the Group's commitment to maintaining the highest ethical conduct and professional standards. These non-negotiable standards are outlined in the Greater Good, which emphasises the importance of building trust with colleagues, clients and the wider community.

Clients

The Chief Executive Officer, members of the UK Executive Leadership Team and other senior managers in the business meet regularly with key clients in order to receive feedback on service and to better understand and meet client needs. Each line of business has set targets for conducting client experience measurement exercises with progress and feedback coming from these tracked by the Board and the UK Executive Leadership Team.

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

Through quarterly reporting by the Risk and Compliance function, the Audit Committee keeps under review the effectiveness of key business processes in place to ensure high service levels and positive client outcomes, whilst the Risk Committee monitors key risk indicators in this regard, including employee induction and training completed, 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

The Board recognises that, as a professional services firm, employees are key to the Company's strength and success. The Board and the UK Executive Leadership Team are committed to ensuring high levels of employee engagement.

The UK Executive Leadership Team understands the importance of leadership visibility and, in addition to regular Townhalls with the workforce, they frequently undertake visits to offices across the UK. Regular employee engagement surveys are conducted and results are carefully scrutinised by the Board and Executives to identify and implement actions for improvement. The UK Executive Leadership Team monitors attrition rates, feedback from exit interviews, and 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 together with proposed action plans.

In 2019, work to develop a definition of the culture for the Company was a key priority for the Board and the UK Executive Leadership Team. Over 100 employees volunteered as "Culture Influencers" leading work locally to define, describe and embed the culture and behaviour values which have been defined for the Company. Launch events across the country were attended by over 3000 employees and were very well received. The Company is committed to reinforcing a wholly inclusive culture across a truly diverse workforce. The Diversity and Inclusion goals and plan originally set by the Board in 2015 came to a natural conclusion during 2019 achieving a gender balanced workforce, at 51% female, a Black, Asian Middle East ("BAME") population of 10% and 30% of all senior roles having female incumbents. Work to refresh the goals and targets for the Company's Diversity and Inclusion agenda for 2022 is under way.

Throughout 2019, and during preceding years, the Company had in place an Employee Consultative Forum (the "ECF") which represented employees from all offices and lines of business in discussions of a more formal nature with executive management. The ECF was instrumental in supporting colleagues through contractual and structural changes and acting as a sounding board for executive management on other matters which affected colleagues. Additionally in 2019, the JLT Consultative Forum (the "JCG") was formed to enable appropriate consultation with employees who joined the Company through the acquisition of JLT. This forum was used to consult with employees, for example, about TUPE Transfer. Early in 2020, post TUPE transfer, the Mercer Employee Representatives (the "MER") was formed replacing the ECF and JCG. This MER comprises 14 elected representatives from across all offices and lines of business and includes legacy JLT employees. The chair is elected from within the employee representatives. The MER meets at least monthly and is engaged to, for example, provide feedback to executive management on policy amendments, proposals for changes to benefits and to support colleagues when structure changes are proposed.

The Company is committed to ensuring a safe & healthy workplace and working environment for employees, contractors and visitors by providing adequate welfare facilities and maintaining suitable plant and safe systems of work. Where reasonably practicable, the Company pursues progressive improvements in health & safety performance and ensures that the business is compliant with all applicable legislation. Directors and individual managers accept responsibility for people and areas under their control and integrate health and safety into everyday activities. They are committed to ensuring the competence of all employees through selection, instruction, training and supervision.

Management of health and safety standards is ensured through effective audit and action resolution and is supported by bespoke software to allow monitoring. Incident reporting, investigation and trend analysis ensures identified workplace hazards are corrected to prevent reoccurrence. Colleague consultation plays a key role and is achieved through the Group's UK Health and Safety Committee, comprised of representatives from across the businesses in the UK, including a representative of the Company. This committee reviews the

Company's arrangements in place on a regular basis and works towards continuous improvement of health & safety standards.

Community

The Company, and the Group as a whole, recognises that in a world facing increasing risk and uncertainty, supporting our communities is more important than ever before. To this end, the Group has established a committee, comprised of representatives from across its businesses in the UK, including a representative of the Company, to focus on our social impact (formally corporate social responsibility) efforts in the UK. Given the Group's expertise in risk, strategy and people, social impact efforts are focused on 'building resilient communities through mentoring and disaster response & 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. The Group partners with select strategic global non-profit organisations, including; the Cherie Blair Foundation for Women, Junior Achievement, Missing Maps and the British Red Cross in the UK and encourages colleagues to volunteer with its non-profit partners, for local causes that are important to them, during Global Volunteer Month and with their clients.

Suppliers

The Company is committed to ensuring that slavery and human trafficking is not taking place in any of its supply chains or any part of its business, and has in place a Modern Slavery Policy which has been rolled out to all colleagues, and incorporated into the Company's induction programme.

All suppliers are required to comply with modern slavery legislation under the standard terms and conditions of our contracting agreements and the Group's Global Sourcing and Procurement team (GSP) issue an annual modern slavery supplier questionnaire to certain suppliers (selected on a risk based approach) to monitor compliance. The Board is updated on response rates and the outcome of questionnaires on an annual basis, which are actively managed by GSP. The Company's Modern Slavery Statement is published annually and can be found at www.uk.mercer.com/modern-slavery-act-statement.html.

The Company reports on its supplier payment practices on a bi-annual basis, and results are monitored by the Audit Committee at quarterly meetings. The Directors consider the payment practice results bi-annually at the time of publication. The Company's latest results can be found at <https://check-paymentpractices.service.gov.uk/report/27844>

The Board acknowledges that efforts to improve its payment practices are required and with this in mind, an improvement plan has been rolled out, with progress monitored by the Audit Committee. The Company is committed to improving performance to meet the criteria in order to sign up to the UK Prompt Payment Code, which is voluntary and a statement of good performance.