

Mercer Pensionsrådgivning A/S

Teknikerbyen 1, 2. Søllerød, 2830 Virum

CVR no. 26 29 21 07

Annual report 2019

Approved at the Company's annual general meeting on 31 August 2020

Chairman:

.....
Dorothee Carolin Gnädinger

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Mercer Pensionsrådgivning A/S for the financial year 1 January - 31 December 2019.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Virum, 31 August 2020
Executive Board:

.....
Thomas Ammonsén
Managing director

Board of Directors:

.....
Dorothee Carolin Gnädinger
Chairman

.....
Henrik Larsen

.....
Cilla Katarina Nygård

Independent auditor's report

To the shareholder of Mercer Pensionsrådgivning A/S

Opinion

We have audited the financial statements of Mercer Pensionsrådgivning A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 31 August 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Tim Kjær-Hansen
State-Authorised Public Accountant
mne23295

Management's review

Company details

Name	Mercer Pensionsrådgivning A/S
Address, Postal code, City	Teknikerbyen 1, 2. Søllerød, 2830 Virum
CVR no.	26 29 21 07
Established	26 September 2001
Registered office	Rudersdal
Financial year	1 January - 31 December
Board of Directors	Dorothee Carolin Gnädinger, Chairman Henrik Larsen Cilla Katarina Nygård
Executive Board	Thomas Ammonsén, Managing director
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 København S

Management's review

Business review

The Company's business is to carry on insurance brokerage and other activities directly related thereto.

Financial review

The income statement for 2019 shows a profit of DKK 12,633,083 against a profit of DKK 11,997,288 last year, and the balance sheet at 31 December 2019 shows equity of DKK 18,282,503.

Events after the balance sheet date

In March 2020, the World Health Organization declared the Coronavirus (COVID-19) a pandemic. The outbreak has become increasingly widespread around the world, including virtually every geography in which the Company operates. The pandemic has created uncertainty about the impact on the global economy and has resulted in impacts to the financial markets and asset values. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are uncertain and cannot be accurately predicted. This includes new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets. The Company is monitoring and assessing the impact of the COVID-19 pandemic on a daily basis to ensure that it continues to adhere to guidelines and orders issued by federal, state and local governments. The ultimate extent of the COVID-19 impact to the Company will depend on numerous evolving factors and future developments that it is not able to predict.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross profit	40,603,663	39,283,454
2	Staff costs	-23,996,214	-23,631,536
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-12,999	-29,007
	Profit before net financials	16,594,450	15,622,911
3	Financial expenses	-299,712	-216,913
	Profit before tax	16,294,738	15,405,998
4	Tax for the year	-3,661,655	-3,408,710
	Profit for the year	12,633,083	11,997,288
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	12,500,000	12,000,000
	Other statutory reserves	2,256,052	0
	Retained earnings/accumulated loss	-2,122,969	-2,712
		12,633,083	11,997,288

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Development projects in progress for intangible assets	2,892,375	0
		<u>2,892,375</u>	<u>0</u>
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	40,360	53,358
		<u>40,360</u>	<u>53,358</u>
	Total fixed assets	<u>2,932,735</u>	<u>53,358</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	1,164,562	1,032,500
	Work in progress for third parties	3,269,329	6,888,924
	Receivables from group entities	1,707,246	368,689
	Deferred tax assets	25,903	34,638
	Other receivables	3,284,132	3,029,541
	Prepayments	83,243	77,720
		<u>9,534,415</u>	<u>11,432,012</u>
	Cash	<u>25,172,717</u>	<u>25,526,010</u>
	Total non-fixed assets	<u>34,707,132</u>	<u>36,958,022</u>
	TOTAL ASSETS	<u><u>37,639,867</u></u>	<u><u>37,011,380</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	502,000	502,000
	Reserve for development costs	2,256,052	0
	Retained earnings	3,024,451	5,147,420
	Dividend proposed for the year	12,500,000	12,000,000
	Total equity	18,282,503	17,649,420
	Liabilities other than provisions		
8	Non-current liabilities other than provisions		
	Other payables	581,229	0
		581,229	0
	Current liabilities other than provisions		
	Prepayments received from customers	4,138,821	6,142,382
	Trade payables	779,095	111,323
	Payables to group entities	2,851,366	1,560,756
	Income taxes payable	3,652,921	3,402,376
	Other payables	7,353,932	8,145,123
		18,776,135	19,361,960
	Total liabilities other than provisions	19,357,364	19,361,960
	TOTAL EQUITY AND LIABILITIES	37,639,867	37,011,380

- 1 Accounting policies
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Reserve for development costs	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2018	502,000	0	5,150,132	11,200,000	16,852,132
Transfer through appropriation of profit	0	0	-2,712	12,000,000	11,997,288
Dividend distributed	0	0	0	-11,200,000	-11,200,000
Equity at 1 January 2019	502,000	0	5,147,420	12,000,000	17,649,420
Transfer through appropriation of profit	0	2,256,052	-2,122,969	12,500,000	12,633,083
Dividend distributed	0	0	0	-12,000,000	-12,000,000
Equity at 31 December 2019	502,000	2,256,052	3,024,451	12,500,000	18,282,503

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Mercer Pensionsrådgivning A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Provisions received from insurance companies based on the insurance premiums are recognised as revenue in the year, the premium is paid to the insurance company. Fees are recognised as revenue at the time of delivery. VAT, indirect taxes and discounts are excluded from the revenue.

Income from the supply of services is recognised as revenue with reference to the stage of completion.

Gross profit

The items revenue and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Completed development projects 0-3 years

Other fixtures and fittings, tools and equipment 3-5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

Every year, development projects and property, plant and equipment are tested for impairment. Where there is evidence of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash comprises cash in bank deposits.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to initiating the service agreed.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2019	2018
2 Staff costs		
Wages/salaries	16,722,425	16,661,052
Pensions	2,068,946	1,920,527
Other social security costs	2,760,204	2,504,471
Other staff costs	2,444,639	2,545,486
	<u>23,996,214</u>	<u>23,631,536</u>
Average number of full-time employees	<u>24</u>	<u>24</u>
3 Financial expenses		
Other interest expenses	174,945	128,772
Other financial expenses	124,767	88,141
	<u>299,712</u>	<u>216,913</u>
4 Tax for the year		
Estimated tax charge for the year	3,652,921	3,402,376
Deferred tax adjustments in the year	8,734	6,335
Tax adjustments, prior years	0	-1
	<u>3,661,655</u>	<u>3,408,710</u>
5 Intangible assets		
DKK		Development projects in progress for intangible assets
Additions in the year		<u>2,892,375</u>
Cost at 31 December 2019		<u>2,892,375</u>
Carrying amount at 31 December 2019		<u>2,892,375</u>
6 Property, plant and equipment		
DKK		Other fixtures and fittings, tools and equipment
Cost at 1 January 2019		<u>2,290,895</u>
Cost at 31 December 2019		<u>2,290,895</u>
Impairment losses and depreciation at 1 January 2019		<u>2,237,537</u>
Amortisation/depreciation in the year		<u>12,998</u>
Impairment losses and depreciation at 31 December 2019		<u>2,250,535</u>
Carrying amount at 31 December 2019		<u>40,360</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Share capital

Analysis of the share capital:

502 shares of DKK 1,000.00 nominal value each	502,000	502,000
	<u>502,000</u>	<u>502,000</u>

The Company's share capital has remained DKK 502,000 over the past 5 years.

8 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

The company is subject to the Danish scheme of jointly taxation and unlimited jointly and severally liable with other jointly taxed companies in the Marsh group for the total corporation tax.

The company is jointly and severally liable with other jointly taxed group entities for payment of income taxes, taxes on dividends, interest and royalties.

Other financial obligations

The company has assumed lease obligations regarding offices in the years 2020-2022 for a combined amount of M.DKK 1.3 (2018: M.DKK 1.3) until the earliest possible date of termination.

The company has assumed leasing obligations regarding company cars in the years 2020-2022 for a combined amount of M.DKK 2.7 (2018: M.DKK 3.2).

10 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2019.

11 Related parties

Information about consolidated financial statements

Parent	Domicile
Marsh & McLennan Companies, Inc.	1166 Avenue of the Americas, New York, United States

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Mercer (Danmark) A/S	Teknikerbyen 1, Søllerød, 2830 Virum