

CONFLICTS OF INTEREST STATEMENT

MERCER GROUP - IRELAND

AUGUST 2014



CONFLICTS OF INTEREST

INTRODUCTION

Mercer, a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), is a global consulting leader in talent, health, retirement, and investments. We help clients around the world advance the health, wealth, and performance of their most vital asset — their people. Mercer in Ireland provides a wide range of services to clients both in Ireland and in other jurisdictions. Given the wide range of services and activities which include administration, investment advisory, retirement and actuarial consulting, investment products and services and insurance based services, conflicts of interest, real or apparent, will naturally arise.

Mercer seeks to manage these conflicts through appropriate policies, procedures and protocols and also through disclosure of potential conflicts to clients and prospects. We are committed to conducting business fairly, ethically and transparently.

This conflicts of interest statement (the "Statement") summarises general conflicts of interest Mercer has identified and describes how we manage and mitigate them. It is not intended to provide an exhaustive list of all conflicts that currently exist or that may exist in the future. If you have any questions or would like more information about specific topics after reading this document, please call your Mercer contact person.

CONFLICT AWARENESS

The identification, management, and mitigation of conflicts of interest is an ongoing process. Mercer believes we have a conflict-aware environment, core to which are the following elements:

- *Our Code of Conduct* — Employees are required to comply with Mercer's Code of Conduct contained in the Marsh & McLennan Companies ("MMC") Policy, [The Greater Good](#), as a condition of employment. *The Greater Good* has clear requirements and guidelines for dealing with ethical matters, including conflicts of interest.
- *Gifts and Entertainment Policy* — Employees are required to comply with our gifts and entertainment policy, which is designed to ensure that they are not unduly influenced by the receipt of gifts, meals, or entertainment.
- *Client Confidentiality Obligations* — Employees are made aware of their obligations to protect client confidentiality and to comply with insider trading and related laws and regulations.
- *Personal Investing Reporting* — Certain employees are also subject to policies governing their personal investing, which, in general, requires reporting of certain personal investments.

TYPES OF CONFLICTS

Conflicts can arise for example between:

- Mercer and its clients
- Lines of business or legal entities within Mercer
- Mercer management or employees and our clients
- Differing needs and requirements of our clients

Conflicts of interest may occur for example:

- From earning higher revenue streams through the provision of bundled solutions to clients, or providing solutions to implement advice provided by Mercer.
- From relationships Mercer may have with providers of products to our clients, including fee arrangements or commissions.
- Through relationships Mercer has with multiple parties related to the one corporate entity each of which may have differing needs.
- Through earning higher revenues from more complex solutions for clients when a more simple but less comprehensive solution may be available.
- From the receipt of confidential information.
- From performance related remuneration paid to employees.
- From personal relationships our employees may have with our clients or service providers.
- From gifts or entertainment provided to clients or prospects, or received by our staff from key service providers.
- From employees holding non-Mercer positions.

SPECIFIC CONFLICTS

The following describes key conflicts and how they are managed.

1. CONFLICTS WHEN MERCER HAS A RELATIONSHIP WITH MULTIPLE PARTIES ASSOCIATED WITH THE ONE CORPORATE ENTITY

It is common for Mercer to have a business relationship with multiple parties associated with a Corporate relationship. For example, Mercer may provide services to a corporate sponsor to a pension scheme, the trustee to a pension scheme, parent and subsidiary companies within a Group, different organisational areas within the same corporate entity, a trade union or key employees. In addition, Mercer may be required to provide services to one party on a confidential basis. Circumstances can arise where the best interests of these parties may differ.

MITIGATION

- Different services are provided by different areas within Mercer which reduces the risk of conflicts arising or breaches of confidentiality. For example, the area dealing with providing investment advice to individuals is separate to the area advising institutional clients.

- If a conflict is identified, depending on the nature of the conflict, either different teams / individuals within Mercer in Ireland will advise the different parties, or in some circumstances, an overseas team may be asked to act on behalf of one of the parties.
- If significant difficulties are anticipated in managing a conflict, Mercer may decide not to service one or more of the parties.
- In relation to actuarial services, the Society of Actuaries has guidelines in relation to how trustee related conflicts should be managed. Mercer follows these guidelines.

2. CONFLICTS AMONG MERCER'S CLIENTS

Mercer has a large and diverse client base. It is likely some of our clients operate in the same industry or sector. We recognise that our interest in serving clients that are perceived to be more influential, or more valuable to Mercer, poses the risk that we could favour those clients over others.

MITIGATION

We do not differentiate or favour certain clients over others with respect to timing of the release of manager research ratings information via our proprietary Global Investment Manager Database (GIMD™), but we may provide different or customized advice to different clients, depending on their individual circumstances.

We believe clients benefit from the diversity of opinions and the individualised, and sometimes subjective, judgments of each consultant with respect to each client. Accordingly, a Mercer consultant need not provide identical advice to all clients, even to those in similar circumstances.

3. CONFLICTS BETWEEN DIFFERENT LINES OF BUSINESS OR ENTITIES IN MMC GROUP PROVIDING SERVICES TO THE SAME CLIENT

Circumstances can arise where different lines of business or different companies within the Mercer or wider MMC group, may be providing services to the same client. This can create potential conflicts. For example advice provided by one part of the group may not be in the best interests of another MMC / Mercer entity.

MITIGATION

- It is an MMC group policy to always treat clients fairly. This is a key component of the MMC Code of Conduct - "The Greater Good"
- All products and services provided by Mercer to its clients must be suitable to the client's needs.
- Conflicts of Interest and other relevant policies and codes are in place at an MMC group level and within legal entities and lines of business across the MMC group to ensure conflicts are appropriately managed.

4. CONFLICTS BETWEEN THE INTERESTS OF CLIENTS AND EMPLOYEES IN MERCER

Circumstances can arise which create potential conflicts between the interests of clients and the interests of employees within Mercer. Examples of such conflicts include;

- Benefit from access to confidential information in a corporate entity in which an employee has or could acquire a personal shareholding.
- Personal benefits received from service providers e.g. gifts and entertainment.
- Remuneration of individuals linked to their achievement of certain financial goals such as revenue targets.
- Conflicts arising from an individual holding non-Mercer roles in addition to their role in Mercer.

MITIGATION

- Mercer has a number of policies, procedures and codes in place to minimise such conflicts including “The Greater Good”, Personal Securities Trading Policies, Gift and Entertainment Policies and Policies on holding outside Directorships.
- Compliance with key policies is monitored.
- Mercer operates a formal performance appraisal and reward system, designed to take many factors into account when determining an individual’s remuneration. In addition there is oversight of remuneration for key individuals by a Remuneration Committee chaired by an independent Chairman (the non-executive Chairman of Mercer in Ireland).

5. INVESTMENT SOLUTIONS AND SERVICES

Mercer offers clients a number of investment based services and solutions ranging from advice on investment strategies, asset classes, asset allocation, specific investments and investment providers, to implemented or delegated investment solutions. Mercer offers a range of delegated solutions to clients which incorporate our best ideas in relation to investment matters. Examples of such solutions include implemented consulting, Mercer dynamic de-risking service and the Mercer Aspire DC solution. These solutions, which use Mercer managed investment funds (“Mercer Funds”), may create potential conflicts between Mercers’ interests and the interests of clients:

- When a client chooses to work with Mercer by way of a delegated solution, Mercer may earn more revenue than if the client chose to engage Mercer under a direct advisory relationship. This could create an incentive for Mercer to inappropriately recommend delegated solutions to clients and prospective clients.
- Just as Mercer will never recommend to clients to use another providers’ manager research, Mercer will not recommend the use of another providers’ delegated solutions, where Mercer provides such solutions.
- Mercer continues to provide investment consulting services as part of the delegated solution. The nature of the advice provided will be different to the type of advice that may previously have been provided by Mercer to a client under a direct advisory relationship. In particular, commentary on performance, and advice on potential alternatives, will be confined to strategies and funds available within the Mercer delegated solutions framework.

MITIGATION

- Strict protocols are followed when introducing delegated solutions to clients. These protocols are designed to ensure clients fully understand the difference between working with Mercer under an Advisory approach and under a Delegated Solutions approach, so that clients can make an informed decision.
- Clear disclosures regarding fees and services to clients.
- The nature of the services provided is clearly outlined to clients in marketing and presentation material and legal agreements prior to take on.
- While Mercer as a group may earn more revenue, it is providing more services and assuming more responsibility, in a delegated solution.
- Delegated solutions are only offered to clients if that solution is suitable for their needs.

6. FEE ARRANGEMENTS

Mercer offers a wide range of services to its clients, with a variety of different fee arrangements. Current fee arrangements include fixed fees, time based fees, commissions and fees based on assets under management. Mercer has fee arrangements with some delegated clients that result in a fixed basis point fee paid to Mercer that includes the investment management fees paid to the sub-advisors within the Mercer Funds. In such fixed fee arrangements, Mercer may have an incentive to minimise sub-advisor costs (for example through selecting investment managers with whom we have negotiated a volume discount arrangement) since this increases the Mercer share of the fees.

MITIGATION

- The fees Mercer earns serving as investment manager to Mercer Funds are described in disclosure documents and agreements and are structured to comply with applicable laws.
- Mercer follows documented processes for rating, recommending, or selecting manager strategies. These processes follow consistent governance practices.
- Mercer is incentivised by long-term client relationships that would be undermined by risking substandard investment results through decision-making based on factors other than our investment process.
- When making asset-allocation recommendations, Mercer considers several factors unique to each client's investment needs and objectives, financial circumstances, risk tolerances, and the long-term return and risk profile of various asset classes. In addition, the client typically provides us with asset-allocation or risk parameters within which its account should be managed; these cannot be changed without client consent.

7. ARRANGEMENTS WITH INVESTMENT MANAGERS

Mercer may rate, review, and/or recommend strategies of investment managers that are also clients of Mercer or our affiliates. These managers may engage Mercer or our affiliates to provide a range of consulting services, may purchase licences to use our proprietary software and databases, and/or may pay to attend our Global Investment Forums. In addition, some managers or their affiliates may provide insurance services to our clients and Mercer may earn commissions or fees from this. Mercer or its affiliates may also provide consulting or delegated solutions services to parent companies or affiliates of investment managers that are recommended or used by Mercer or its affiliates globally. The revenue Mercer earns from these managers may create incentives to recommend these managers or their

strategies more highly than those of other managers, potentially impairing Mercer's ability to select or terminate them objectively.

MITIGATION

- Mercer follows documented processes for rating, recommending, or selecting a manager's strategies. These processes follow consistent governance practices.
- Mercer does not consider the status of a manager as a client of Mercer or our affiliates at any time during the investment evaluation, selection, or termination process.
- Mercer has adopted policies and procedures that are reasonably designed to protect against preferential treatment for a manager that is also a client of Mercer or our affiliates.
- Mercer discloses to managers from which we or our affiliates receive revenue that receipt of such revenue will not result in any preferential treatment.

8. AVAILABILITY OF OUR INVESTMENT MANAGER RESEARCH

Mercer may have an incentive to provide our investment manager research to certain clients or to our investment implementation teams before providing the same information to all Mercer clients. Examples of potentially valuable information include a change to Mercer's rating of an investment strategy offered by a manager or a manager's capacity to accept new investments in a particular strategy or fund.

MITIGATION

- Mercer makes new or updated manager research available simultaneously to all subscribers (internally and externally) to our proprietary Global Investment Manager Database (GIMD™). Research published in GIMD includes such information as news items regarding a manager, decisions by Mercer to change the rating of a manager's strategy, and information about a manager's capacity to accept new investments.
- Mercer has put in place and enforces rules that minimize our ability to act on new or updated information for our own advantage or for the advantage of some clients but not others. For example, Mercer cannot act on a change to the rating of a manager's strategy until that information has been released to all GIMD subscribers.

ENTITIES COVERED BY THIS STATEMENT

Mercer provides its services in Ireland through Central Bank of Ireland regulated operating companies, which are covered by this Statement. These companies are;

- Mercer (Ireland) Limited
- Mercer Global Investments Europe Limited
- Mercer Financial Services Limited

Mercer Global Investments Management Limited has its own conflicts of interest statement designed to cover the specific conflicts for a UCITS / AIFM Management Company.

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