

# We are Marsh & McLennan Companies: a global professional services firm offering clients advice and solutions in risk, strategy and people.

We serve clients in more than 130 countries through our market-leading professional services firms:

## RISK & INSURANCE SERVICES

### MARSH

Insurance broking and risk management

### GUY CARPENTER

Reinsurance and intermediary advisory services

## CONSULTING

### MERCER

Health, wealth and career solutions and consulting

### OLIVER WYMAN

Management, economic and brand strategy consulting

## WE ARE COMMITTED TO:



### ENABLING CLIENT SUCCESS

We anticipate the needs of our clients and act as their trusted advisors.



### FINDING THE SMARTER WAY

We never stop searching for a better solution.



### WORKING SIDE BY SIDE

We collaborate to harness our collective intelligence.



### LIVING THE GREATER GOOD

We act with integrity and strive to improve our communities around the world.

To our shareholders,

Disruption swept the world in 2016. Waves of nationalism and populism erupted, challenging established institutions, norms and our expectations of political leaders. Free trade, all types of immigration and globalization became, almost overnight, fraught concepts. Attempts to undermine public confidence in the cornerstones of our society reached new levels of sophistication.

“The more dynamic and complex the world gets, the more clients look to Marsh & McLennan Companies for our trusted advice.”

Technology continued to transform our lives, bringing with it productivity gains and awe-inspiring innovations. These advances created deep anxiety about the impact of technology on jobs. Much of the dialogue around dramatic technological change focuses on the negative implications rather than the extraordinary opportunities it presents to solve some of our biggest global challenges.

The Chinese general, military strategist and philosopher, Sun Tzu, once wrote, “In the midst of chaos, there is also opportunity.”

Amid all the flux in 2016, one constant held true, as it has for almost 150 years: the more dynamic and complex the world gets, the more clients look to Marsh & McLennan Companies for our trusted advice in the areas of risk, strategy and people.

Today, the quantity and speed of information, combined with heightened geopolitical volatility, make it harder for countries, institutions and individuals to identify risks and opportunities.

“We enable our clients to minimize risk, maximize opportunity and energize their people to achieve great things.”

**DAN GLASER**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
MARSH & MCLENNAN COMPANIES



# 7 years

OF CONSECUTIVE  
ADJUSTED MARGIN  
GROWTH IN BOTH  
SEGMENTS

The pace of innovation creates new risks — risks that will be refracted and dispersed through a prism of social, political and environmental issues. This landscape favors the innovative and the agile.

At Marsh & McLennan, we see significant opportunity in this environment. We are a strategic partner in promoting growth, protecting value and helping clients make better decisions in an increasingly complicated landscape.

Our more than 60,000 colleagues around the world thrive on making a meaningful difference in critical moments on behalf of our clients, delivering on our commitments to shareholders and improving the communities in which we live.

In my letter to you last year, I articulated our aspiration to become one of the very best companies, not simply in our industry segments, but in the world. To achieve this, we must be relevant to clients as the world becomes more complex, drive innovation and continue to be a great place to work. Together, these will enhance our ability to generate sustained growth in revenues and profits.

It is my pleasure to report the tangible progress our firm made in 2016.

## ANOTHER YEAR OF STRONG FINANCIAL PERFORMANCE

Marsh & McLennan produced excellent financial results in 2016. We delivered underlying revenue growth, margin expansion in both segments and strong growth in adjusted earnings per share. We also had another successful year of growing the firm through acquisitions — enhancing our market position, capabilities, client services and geographic footprint.

We generated 3% underlying revenue growth on a consolidated basis, which was balanced across both operating segments.

Adjusted operating income<sup>1</sup> rose 10% to \$2.7 billion and our consolidated adjusted margin increased 140 basis points to 20.5%, our ninth consecutive year of margin improvement.

Our adjusted EPS grew 12% to a record \$3.42. Since 2009, adjusted EPS has grown at a CAGR of 13.3% — consistent with our long-term target of 13%.

In looking at our operating segments, Risk and Insurance Services revenue of \$7.1 billion reflected an increase of 3% on an underlying basis. Adjusted operating income rose 10% to \$1.8 billion, with the adjusted margin expanding 140 basis points to 24.7%, the highest level in more than a decade.

Marsh continued to generate underlying revenue growth, with 2016 marking the sixth straight year of 3% or more.

Guy Carpenter produced positive underlying revenue growth in 2016 — and has done so every year since 2009.

Our Consulting segment produced revenue of \$6.1 billion, an increase of 3% on an underlying basis. Adjusted operating income rose 9% to \$1.1 billion, up from \$1 billion in 2015. The adjusted operating margin grew 130 basis points to a strong 18.6%.

# \$2.5 billion

OF CAPITAL ALLOCATED IN  
2016 TO ACQUISITIONS, SHARE  
REPURCHASES AND DIVIDENDS

Mercer's underlying revenue growth of 3% marked its sixth straight year of at least 3% growth.

Oliver Wyman also generated underlying revenue growth of 3% for 2016.

## OUR COMMITMENTS TO SHAREHOLDERS

We have two annual commitments to shareholders:

- 1) Increase our dividends per share by double digits; and
- 2) Reduce our total shares outstanding.

In 2016, we returned close to \$1.5 billion to our shareholders in the form of dividends and share repurchases, and delivered on our capital-return commitments for the third consecutive year.

Our earnings growth has been impressive given the volatility around commodity prices and foreign exchange, persistently low interest rates, weak global GDP growth, political instability and lower property and casualty insurance pricing.

Importantly, we have consistently delivered value over time — over the past nine years, our annual EPS growth has exceeded the S&P 500 by an average of seven percentage points.

Over the long term, we expect to grow EPS at a higher rate than the S&P 500 with lower capital requirements — and lower levels of risk.

<sup>1</sup> For a reconciliation of non-GAAP results to GAAP results, as related to all non-GAAP references presented in this letter, please refer to the Company's Form 8-K, dated February 2, 2017, available on the Company's website at mmc.com.

“Our adjusted EPS grew 12% to a record \$3.42. Since 2009, adjusted EPS has grown at a CAGR of 13.3% — consistent with our long-term target of 13%.”



## 10.2% DIVIDEND GROWTH

delivering on our annual commitment to increase dividends per share by double digits



## 20.5%

consolidated adjusted margin — an increase of 1,170 basis points since 2007



## 9 CONSECUTIVE YEARS

of consolidated adjusted margin expansion



Highest margins in  
Risk & Insurance Services  
and Consulting in  
**13 YEARS**



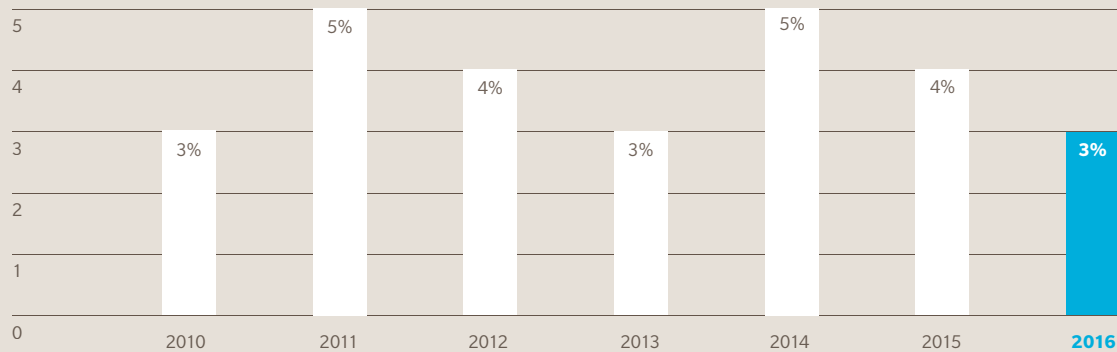
Risk & Insurance Services and  
Consulting adjusted  
operating income each at  
**RECORD HIGH**



Committed nearly  
**\$6 BILLION**  
across roughly 130 acquisitions  
and investments since 2009

## 7 YEARS

of consecutive underlying revenue growth in the 3-5 percent range



Clients in more than  
**130 COUNTRIES**



Annual revenue exceeds  
**\$13 BILLION**



**60,000**  
colleagues around the world  
making a difference for  
clients in critical moments

“No other organization can match Marsh & McLennan’s breadth of capabilities, depth of specialization and global reach.”

#### OUR VIEW OF THE MARKETS

The issues of risk, strategy and people give Marsh & McLennan a sustainable platform for growth.

The age of risk has only just begun. Whether it’s artificial intelligence, biotechnology, blockchain, 3D printing or climate change, emerging technologies and global developments present new sets of risks and opportunities. We are optimistic that insurance will continue to play an integral role in the advancement of society. Insurance is about more than just protection on the downside, it’s also about growth — it enables commerce to thrive.

Like the world around us, the insurance industry is changing rapidly as data, distribution and capital converge.

Underwriters continue to offer new insurance and reinsurance products and services that meet the emerging risk needs of our clients. This trend enhances the value we deliver and bodes well for the industry. We continue to see large-scale mergers and acquisitions and an influx of alternative capital, along with disruption and innovation in distribution platforms and technologies.

The dynamic and shifting environment also places a premium on trusted consulting advice and expertise.

Look no further than the workforce, which is being rapidly transformed in many markets by everything from robotics to the impact of longevity and the challenge of inadequate retirement savings. Critical decision making in the areas of health, wealth and careers is increasingly shifting to individuals, driving the need for innovative solutions to create more secure and rewarding futures.

And across industries, more companies are seeking strategic guidance as they fully embrace digitization to build and sustain new competitive advantages while simultaneously navigating complex regulatory environments.

Our firm changes with the times. The more complicated the issue, the greater the opportunity we have to draw on our collective strengths to better serve our clients.

According to the survey of approximately 13,000 executives that informs the 2017 *Global Risks Report* produced by the World Economic Forum in partnership with Marsh & McLennan and others, the top five concerns of businesses worldwide are unemployment, energy price shock, fiscal crises, national governance crises and social instability.

To address these and other concerns, companies will look to strengthen their resilience by sharpening their risk insights, insulating their investment strategies and deepening their stakeholder relationships. They will also seek to better understand the disruptive potential of emerging technologies. We believe they will increasingly rely on our expertise to help with the concerns of the day. No other organization can match Marsh & McLennan's breadth of capabilities, depth of specialization and global reach.

#### OUR COMMITMENT TO LONG-TERM GROWTH

Becoming one of the world's best companies requires the ability to drive long-term revenue growth. We are strongly positioned to do this because we are in growth businesses and markets — and anticipate even greater demand for our advice and services in the areas of risk, strategy and people.



“Our people create and deliver new solutions that add value and uphold our commitment to integrity and quality, each and every day.”

We continually position the firm toward higher-growth opportunities while divesting or de-emphasizing slower-growing parts of the business. Our investments are focused on growing the firm — organically and through acquisitions — for the long term, while balancing our expectations to deliver exceptional performance today.

Rarely do we commit to an acquisition purely based on financial considerations. Since 2009, we have committed nearly \$6 billion across roughly 130 acquisitions and investments that have made us stronger. Through these transactions, we have enhanced our strategic positioning by expanding our geographic reach and presence in fast-growing economies, opening up opportunities in under-penetrated growth segments and adding new capabilities.

The diversity of our geographic footprint has long been a distinct advantage for our firm. In 2016, we allocated capital for expansion across all operating companies in Latin America, Asia, the Middle East and South Africa. Amid shifting views on globalization, Marsh & McLennan is on the ground in more than 100 countries, providing flexibility to service clients in either a global or local environment.

#### OUR COMMITMENT TO INNOVATION

Our history is steeped in innovation, which can take many forms — and helps us drive growth. In our Risk and Insurance Services segment, Marsh & McLennan Agency (MMA) has been a great success for our firm. In 2009, we set out to extend beyond our traditional base of large commercial clients to build the best middle market agency in the industry. Seven years later, MMA boasts more than 4,000 colleagues across the United States and generates more than \$1 billion in revenue. Including the January 2017 acquisition of J. Smith Lanier & Co., the premier agency in the Southeast US, MMA has acquired a string of 58 high-quality agencies since 2009.

Marsh has expanded its presence in the small and medium-sized enterprise (SME) market in the United Kingdom with the acquisition of Bluefin Insurance Group Limited in 2016, which followed our 2015 acquisition of Jelf Group.



# 184,000

VOLUNTEER HOURS CONTRIBUTED  
BY OUR COLLEAGUES AROUND  
THE WORLD TO IMPROVE SOCIETY

With approximately 250,000 customers in the UK, we've gone from having a negligible presence less than two years ago to being one of the largest SME players in the market.

Guy Carpenter has developed a series of state-of-the-art technologies that are transforming the way insurers assess their risks, capital needs and reinsurance pricing. In partnership with Weather Analytics, Guy Carpenter provides clients with predictive insights derived from machine learning around catastrophe risk.

Mercer is providing new technology-driven solutions that enable workforces to thrive as the relationship between employee and employer evolves, the freelance economy expands, people work further into life and concerns over financial security in retirement heighten. In 2016, Mercer acquired Thomsons Online Benefits, the leading global benefits management firm whose proprietary platform, Darwin, has been implemented in more than 80 countries and 24 languages. Mercer also acquired Sirota Consulting LLC, a global provider of employee engagement solutions, invested in Workday implementation capabilities and built out the Mercer Pension Risk Exchange, which provides real-time pricing for pension buyout transactions.

And Oliver Wyman is quickly emerging as a critical advisor on the digitization of business. The company's Digital, Technology, Operations and Analytics practice is growing rapidly to support clients across industries. OW Labs, a technology and data service that helps clients achieve competitive advantages through the power of their data, is also expanding quickly and supporting our core strategy work.

The consistency of this strategic approach compounds powerfully — we're building for the long term. We expect these faster-growing businesses will represent an even larger portion of our firm's revenues over time.

Taken together, our investment approach and ability to innovate, constantly reassess our outlook and improve the mix of our businesses have transformed Marsh & McLennan over the past decade — and strongly position us for sustainable growth and profitability.

## OUR PEOPLE

Marsh & McLennan offers colleagues the opportunity to work with extraordinary people, to address some of society's greatest challenges, to take on new roles and responsibilities and to make a difference. In the last four years, more than 3,100 colleagues have moved to a different operating company or to our corporate team, a testament to our commitment to the development of our people.

Our colleagues give us their passion and their commitment. They also give us their careers — in some cases, their entire careers. It is deeply gratifying to have more than 650 colleagues who have worked with us for 35-plus years, including 150 who have given us 40-plus years and nine inspiring colleagues who have been with Marsh & McLennan for more than 50 years.

The vitality and longevity of these colleagues is a shining example for our millennial colleagues, whose ideas and contributions touch every part of our company. Millennials represent 37% of our entire firm globally, including 30% of colleagues at Marsh, 26% at Guy Carpenter, 45% at Mercer and close to 60% at Oliver Wyman. On a geographic basis, Asia has our highest percentage of millennials at 62%.

Together, we share a sense of purpose that goes beyond commercial success. Our colleagues relish being there for our clients when it matters most: in moments of decision, in moments of opportunity and in moments of peril. And they bring this shared purpose to life, each and every day.

## “There is no Marsh & McLennan without the knowledge and know-how of our colleagues.”

They are trusted advisors always searching for a better solution; working to harness our collective intelligence across teams, business units and global offices; and living the greater good by acting with integrity and improving their communities.

At Marsh & McLennan, we believe in the primacy of family life, and that personal growth enriches professional development.

### OUR CULTURE

Everything we do across our entire organization is anchored by our culture.

Mutual respect, dignity, diversity and inclusion are at the heart of Marsh & McLennan Companies. We value the richness of different perspectives and life experiences. And we value a striving, questioning culture, where it's safe for all colleagues to speak up, because diverse views and a free and open exchange are how we create our best ideas. We will never back away from our commitment to these fundamental values.

One of our most powerful competitive advantages is the element of constructive discontent embedded in our culture. It's our way of looking at the world, at a business approach or at our own work environment and spotting what could be better. Not what's wrong — what *we can do* better. At a recent town hall meeting, a colleague asked me what could be improved at the company. I responded with one word: “Everything.”

This restless search for a smarter way guards against complacency and arrogance, which tend to afflict companies that have done well for long periods of time. It's also where innovation — and impact — begins.

Our distinct culture is reflected in the contributions our people make to the communities where they live and work. I am extremely proud of what our colleagues accomplished outside the office last year. Collectively, they volunteered 184,000 hours — to causes ranging from education, to animal advocacy, to health, to homelessness — making a meaningful difference in more than 350 cities and 50 countries around the world.

Among the commendations Marsh & McLennan received in 2016, we were recognized by *Forbes* magazine as one of America's Best Employers for the first time, named the No. 1 Military-Friendly Employer in the US by *G.I. Jobs* magazine for our efforts to support veterans and earned an A- rating by CDP for our sustainability initiatives.

We are more than 60,000 global colleagues united by a uniquely collaborative culture and our shared commitment to make a difference for the businesses, people and societies we serve.

### THE IMPORTANCE OF LEADERSHIP

One of the most powerful benefits of having high-quality colleagues and a strong culture is that it enhances our ability to attract the best, most qualified individuals to our organization.

The conventional command-and-control management philosophy that multinational companies have applied for decades is changing rapidly. For us, that means entrusting our colleagues to make faster and smarter decisions, closer to the client. Leadership is often less about one big idea and more about always putting the client first, empowering our people to create and deliver new solutions that add value and upholding our commitment to integrity and quality, each and every day.

We are not satisfied with average; we strive to be exceptional. More than any other factor, our performance is a matter of will and determination.

“Our investments are focused on growing the firm for the long term, while balancing our expectations to deliver exceptional performance today.”

#### LOOKING FORWARD

I am incredibly proud to serve as the CEO of this unique company. Combining our depth of leadership, the long-term growth potential of each of our businesses and our dedicated colleagues is powerful — making us an exceptional professional services firm.

I would like to thank our Board of Directors, and especially Ed Hanway for his stewardship since taking over as Independent Chairman last year.

I would also like to welcome our newest board members, Anthony Anderson and Deborah Hopkins. Tony’s deep industry experience and Debby’s proven track record of innovation will enrich our perspective.

In closing, I want to thank our colleagues for their energy and commitment, our clients for the trust they place in us each day and our investors for their continued support. We are always in the market for investors who support our balanced approach of delivering strong financial performance today while investing for our future.

Together, we’ve been able to create a truly special company — one that continues to make itself even stronger in every regard while better enabling our clients to minimize risk, maximize opportunity and energize their people to achieve great things.

In an unprecedented time of rapid change and emerging challenges, there’s little doubt the best is yet to come for Marsh & McLennan.

Best regards,



**DAN GLASER**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
MARSH & McLENNAN COMPANIES  
FEBRUARY 24, 2017