

COMPENSATION GUIDE FOR AUSTRALIAN CLIENTS

OUR COMMITMENT TO TRANSPARENCY AND COMPLIANCE

The main Marsh Group entities operating in Australia¹ all hold an Australian Financial Services Licence (AFS Licence) and pride themselves on transparency and compensation disclosure. The Marsh Group is committed to maintaining the standards for ethical business practices and client service. To fulfill that commitment, the Marsh Group pledges to its Australian clients that it will:

- Abide fully by the Client Service Agreement or Marsh's retainer letter with Terms of Engagement;
- Disclose the roles it performs in the insurance transaction;
- Disclose its interests in and compensation arrangements with insurers;
- Disclose the specifics of all quotes and premium indications it receives from insurers on its clients' behalf in accordance with its obligations and as the holder of an AFS Licence;
- Disclose its compensation from insurers and from other third parties for the placements it makes on its clients' behalf in accordance with Marsh's obligations and as the holder of an AFS Licence; and
- Promptly respond to client requests for additional information about the information disclosed by it on the above.

Marsh has reinforced this commitment with a comprehensive compliance program that includes:

- A network of trained compliance specialists throughout the world;
- Detailed compliance procedures;
- Ethics and compliance training;
- Regular transaction monitoring and auditing to make sure it lives up to its standards;
- A hotline for any questions or complaints; and
- Regular reports to its board of directors.

These initiatives translate into many benefits for Marsh's clients, including:

- A clear understanding of Marsh's role, relevant interests and how Marsh is compensated for its work;
- A clear understanding of the scope of that work; and
- The ability to evaluate Marsh's services and any potential conflicts of interest.

OUR COMPENSATION

Marsh is compensated in a variety of ways, including commissions and fees paid by insurance companies, premium funding companies and clients. Any compensation received will be in accordance with and subject to relevant law. All fees, commissions and expenses are (unless otherwise expressly stated) exclusive of GST, which will be added as appropriate. Please consult your Client Service Agreement or Marsh's retainer letter and Terms of Engagement for details of the agreed remuneration. Marsh may receive compensation through one or a combination of the methods listed below.

■ **Broking Commissions –**

A commission is paid to Marsh by the insurer for arranging the policy for you and which is based on a percentage of the premium charged for the policy, less taxes and statutory charges. The commission is included in the premium charged and contains Marsh's profit and expenses Marsh incur in arranging the insurance. Marsh retains the commission from the premium you pay Marsh and it then remits the balance to the insurer. The amount of commission may vary depending on a number of factors, including the type of insurance product sold and the insurer selected by the client. Commission rates can vary from transaction to transaction.

¹ Marsh Pty Ltd (ABN 86 004 651 512, AFS Licence 238983), Marsh & McLennan Agency Pty Ltd (ABN 33 000 668 584, AFS Licence 238984), Marsh Advantage Insurance Pty Ltd (ABN 31 081 358 303, AFSL 238369), Mercury Insurance Services Pty Ltd (ABN 50 007 332 461, AFSL 238986). Except where specified, references in this document to Marsh are to each of these group entities.

- **Client Fees** – Some clients may negotiate a fee for Marsh’s services in lieu of, or in addition to, retail commissions paid by insurance companies. Fee agreements are in writing, typically pursuant to a Client Service Agreement or Marsh’s retainer letter with Terms of Engagement, which set forth the services to be provided, the compensation to be paid to Marsh and the other terms of Marsh’s engagement.
- **Documentation Charges/Fee** – Where commission or a fee is paid to Marsh, we may also charge clients an administrative fee to cover administrative tasks that are performed in the insurance placement process, such as policy invoicing, premium collection and remittance.
- **Distribution Brokerage** – For the placement of a general insurance policy in Australia where Marsh is remunerated by fee from its client, it also collects from insurers a distribution brokerage of 2%, which is in addition to and will not be credited against any fee payable to Marsh and will not be subject to any non-statutory cap on commissions payable to Marsh.
- **Insurer Consulting Compensation** – Marsh receives separate compensation from insurers for providing consulting, data analytics, or other services. The services are designed to improve the product offerings available to our broking clients, assist insurers in identifying new opportunities, and enhance insurers’ operational efficiency. The scope and nature of the services vary by insurer and by geography. In Australia this separate compensation is paid in the form of a fixed fee.
- **Wholesale Broking Commissions** – Marsh may act as a wholesale insurance broker for some transactions. In these placements, Marsh is engaged by a retail broker (which may include Marsh retail broking operations) that has the direct relationship with the insured. As the wholesaler, Marsh may have a specialised expertise, or access to specialised insurance facilities which the retail broker does not have. In these transactions the insurer typically pays a commission that is divided between the retail and wholesale broker pursuant to arrangements made between them.
- **Profit Commissions** – Some insurers agree to pay profit commissions to brokers when the book of business the brokers place with the insurer during an agreed time period generates a profit for the insurer. Because the amount of profit commission earned may vary depending on factors relating to an entire book of business, the amount of profit commission attributable to any given policy typically will not be known at the time of placement. Marsh & McLennan Agency and parts of Marsh’s Consumer business will accept profit commissions.

Where Marsh is involved in such arrangements, Marsh may be considered to have an incentive to place a client’s insurance with a specific insurer. In order to control any potential conflict of interest arising from such placements, Marsh employs policies and procedures to avoid such conflicts arising.
- **Insurer Administration and Other Services** – We have developed a number of panels, facilities, quota shares and other placement arrangements with insurers. These placement solutions deliver benefits to our clients, which may include enhanced coverage, lower premiums, insurance market capacity or a combination of all of these. We receive separate compensation from insurers for administration and other services in connection with these arrangements.
- **Risk Consulting Funding** – In some instances Marsh arranges a pool of funding, which is made available by an insurer or scheme agent to a category of Marsh clients. With the client’s and the funder’s consent, Marsh may then apply the funding to pay for Marsh’s risk consulting services for the client. Marsh may allocate to itself a project management/administration fee of 10% of the pool as compensation for Marsh’s role in managing the pool and for associated administration services for clients.
- **Trust Account Interest** – When you pay Marsh the premium, it will be placed into Marsh’s trust account. Marsh retains its remuneration from the total you pay it and Marsh then remits the balance to the insurer in accordance with its arrangements with the insurer. Marsh retains any interest it earns on the premium for the period it is in the Marsh trust account. Marsh may also benefit from foreign exchange differentials in the process of handling client money although Marsh can also incur losses from the same source.

- **Premium Financing** – Marsh receives a commission and/or fee from the premium finance company when Marsh assists clients in obtaining premium finance.
- **Other Benefits or Compensation** – Marsh may, from time to time, participate in insurance company promotional events or employee training and development provided by insurers. Sometimes, Marsh is reimbursed by insurers for its costs related to promotional marketing. Marsh's representatives may also receive non-monetary benefits from insurers. This may include entertainment at sporting events, hospitality including lunches and attendance at insurer sponsored functions. It is not possible to determine in advance what, if any, non-monetary benefit a representative may receive and these benefits are not generally attributed to any particular product or transaction. Marsh has compliance policies that ensure that these do not create a conflict with your interests.

Where Marsh is involved in arrangements whereby insurers pay it fees or brokerage, such as Insurer Consulting Compensation, Distribution Brokerage, or Risk Consulting Funding, Marsh may be considered to have an incentive to place a broking client's insurance with these insurers. In order to control any potential conflict of interest arising from the provision of services, Marsh employs and acts in accordance with its policies and procedures.

For more information on any of the above please contact your client executive or account representative.

RELATED PARTY TRANSACTIONS

The parent of the Marsh Group entities in Australia, Marsh Inc. and its subsidiaries or affiliates own equity interests in a small number of insurers or reinsurers. Marsh Inc. also owns or is affiliated with other insurance-related entities that may perform services associated with the Marsh Group entities in Australia client's account.

Marsh & McLennan Agency Pty Ltd (ABN 33 000 668 584) ('MMA') in Australia provides insurance products to third party brokers who utilise its services (including Marsh Pty Ltd and Marsh Advantage Insurance Pty Ltd) and it is remunerated by insurers who underwrite the insurance products provided via MMA.

Mercer is a global leader in talent, health, retirement, and investment consulting.

Guy Carpenter & Company Pty Ltd (ABN 95 000 351 299) and Marsh Resolutions Pty Ltd (ABN 19 055 301 721) are reinsurance brokers, and may place reinsurance for insurance companies that insure a client's risk through Marsh.

In addition, the Marsh Group is the world's largest provider of captive management solutions. A captive is a licensed insurer that may insure or reinsure the exposures and risks of its parents, affiliated parties, or other parties. Marsh also provides claims handling services to some insurers.

ANY QUESTIONS? PLEASE JUST ASK

Marsh encourages you to ask questions regarding any aspect of your relationship with it. Please feel free to ask a member of your account team.

If you wish to raise issues, express concerns, or file a complaint regarding remuneration paid or payable to Marsh by insurers or any other third parties, please contact our Ethics & Compliance line at 1 800 98 8007, 24 hours a day, 7 days a week.