JLT

# GLOBAL SPECIALISTS

Annual Report 2017


FRONT COVER

JLT provides services to two of the top four world's largest communications network manufacturers.

# CONTENTS

## STRATEGIC REPORT

This section contains information comprising the Company's Strategic Report. It includes an introduction to JLT with a review of 2017, including performance highlights, information on our colleagues, our culture and our mission, strategy and values. It also includes the Chairman's Statement, Chief Executive's and Finance Director's Reviews as well as details of our markets, business model, strategic progress, operations and key risks.



## CORPORATE GOVERNANCE

This section includes a review of our corporate governance and summaries of the work of our Board and its Committees.



## FINANCIAL STATEMENTS

This section includes the Group and Company financial statements and related notes.



## ADVISERS & SHAREHOLDER INFORMATION

This section includes the Group five year review, shareholder information and information regarding the Group's advisers and principal offices.

# STRATEGIC REPORT

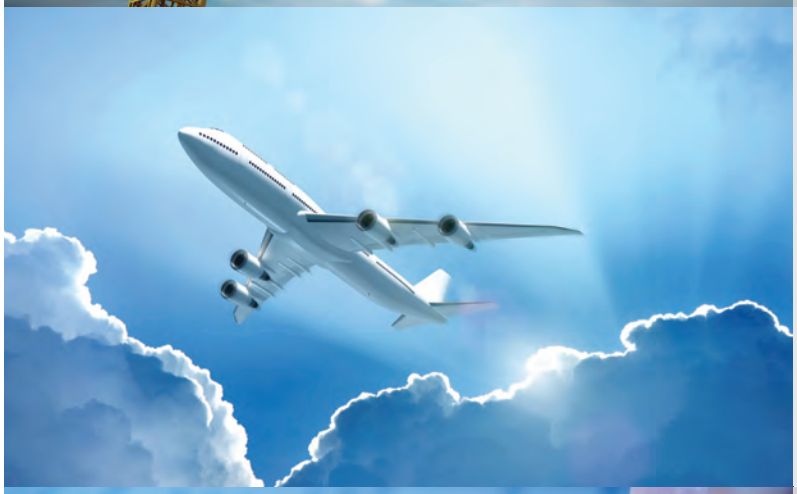
# GLOBAL SPECIALISTS

Focusing and growing in specialist areas where we offer distinctive products, services and independent choice, such as:

£100bn

## CONSTRUCTION

JLT's London construction team manages the insurance requirements for projects globally with a value in excess of £100bn



40%

## AEROSPACE

Representing 40% of the world's airline operators with 10 or more aircraft in service


UK's No. 1

## EMPLOYEE BENEFITS

JLT is the UK's largest administrator of private sector pensions

60%

## SPECIAL RISKS

JLT has been broker to over 60% of the world's biggest sporting events over the last decade

50%

## REAL ESTATE

Broker to more than 50% of all commercial properties in the City of London

30%

## ENERGY

JLT handles in excess of 30% of the world's mobile drilling rig fleet

# FINANCIAL HIGHLIGHTS

We are pleased to present a set of results that reflect substantial financial progress.

| £m | 2017 | 2016 | Change |
|---|---|---|---|
| Total revenue | 1,386.0 | 1,261.3 | 10% |
| Underlying trading profit* | 213.7 | 193.7 | 10% |
| Underlying profit before tax* | 191.5 | 172.6 | 11% |
| Reported profit before tax | 181.6 | 134.9 | 35% |

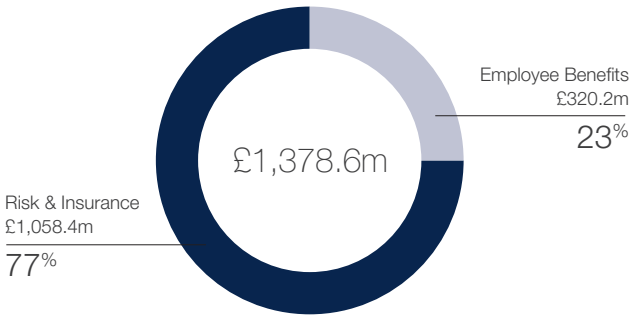
| Pence per share | 2017 | 2016 | Change |
|---|---|---|---|
| Underlying diluted EPS* | 58.5p | 51.4p | 14% |
| Reported diluted EPS | 54.7p | 37.8p | 45% |
| Total dividend per share | 34.0p | 32.2p | 6% |

* Underlying results exclude exceptional items.

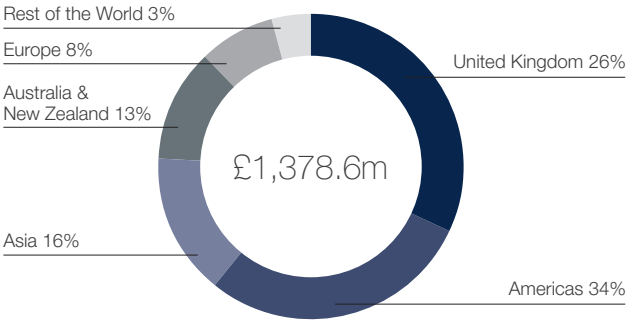
See notes 1 and 3 of the Financial Statements on pages 118 and 122 for details of exceptional items.

## SEGMENTAL BREAKDOWN

### 2017 Turnover by Division

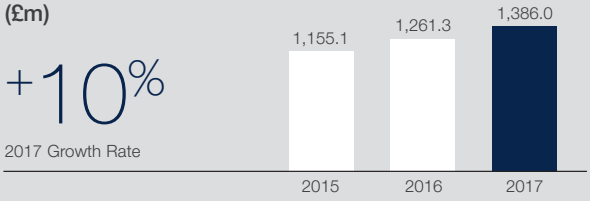



### 2017 Turnover by Location of Client

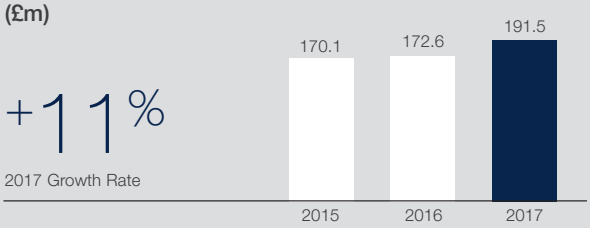



Turnover = Revenue excluding investment income

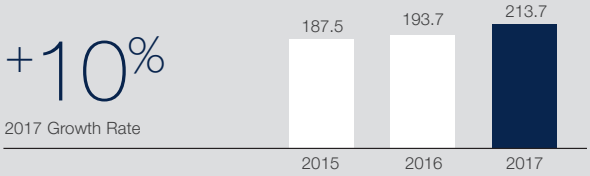
### Total Revenue (£m)



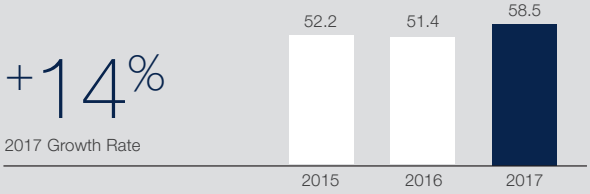

### Underlying Profit Before Tax* (£m)




### Underlying Trading Profit* (£m)




### Underlying Diluted EPS* (Pence)



# WHERE WE OPERATE

JLT is a global organisation of specialists and one of the world's leading providers of insurance, reinsurance and employee benefits related advice, brokerage and associated services.

We own offices in over 40 territories with more than 10,000 colleagues. Supported by the JLT International Network, we service clients in over 135 countries.

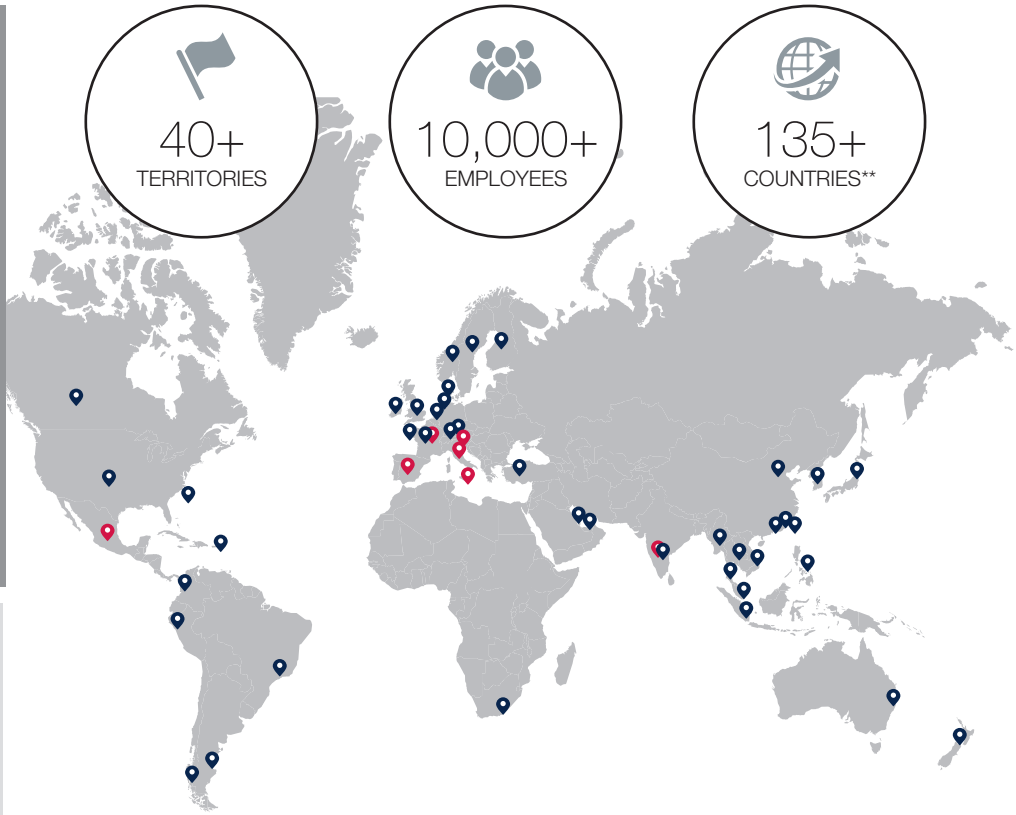
Our collaborative approach enables us to share knowledge, solve problems and deliver the best solutions for our clients. We have the freedom to take on new challenges, think creatively and capture opportunities that others may not. We always aim to do what is right for our clients, our colleagues, our trading partners and our shareholders.

**Owned locations**

Argentina
Australia
Bahrain
Barbados
Belgium
Bermuda
Brazil
Canada
Chile
China
Colombia
Denmark
Finland
France
Germany
Guernsey
Hong Kong
India
Indonesia
Ireland
Japan
Macau
Malaysia
Myanmar
Netherlands
New Zealand
Norway
Peru
Philippines
Singapore
South Africa
South Korea
Sweden
Switzerland
Taiwan
Thailand
Turkey
UAE (Dubai)
UK
USA
Vietnam

**Associates**

Austria/Central & Eastern Europe
France
India
Italy
Malta
Mexico*
Spain




* The Group has agreed the sale of its holding in its associate in Mexico, which is expected to complete in early 2018.

** See page 10 for more detail on the JLT International Network.

# OUR MISSION, STRATEGY & VALUES

## OUR MISSION

To become the leading global specialist risk adviser and broker.

## OUR STRATEGY

Our strategy balances the interests of our four key stakeholders: our clients, our colleagues, our trading partners and our shareholders. There are four pillars to our strategy:

### CULTURE

Living a distinctive, entrepreneurial and client-focused culture that attracts, develops and retains the best experts.

### SPECIALIST

Focusing on growing in specialist areas where we have deep knowledge and experience; understanding of the risks involved; first rate transactional capability; and market standing, contacts and reputation.

### COORDINATION

Ensuring global coordination across divisions, regions and industry practices to provide a seamless service to clients.

### INTERNATIONAL

Continuing to develop JLT's International Network to ensure that we have the right representation in the right locations.

## OUR VALUES

### COLLABORATION

We recognise that our people drive our success.

Our people work together as 'One JLT' to share knowledge, solve problems and deliver the best solutions for our clients.

### AGILITY

We think fast, move swiftly and act decisively.

Our entrepreneurial drive gives us the freedom to take on new challenges, think creatively and capture opportunities that others may not.

### RIGOUR

We work with integrity and discipline and stand up for what we believe in.

Our work is thorough and our solutions are robust, because it matters to us to do what is right for our clients, our colleagues, our trading partners and our shareholders.

# OUR COLLEAGUES, CLIENTS & CULTURE

Our colleagues are the reason for JLT's success. We collaborate, take personal accountability and are recognised and rewarded for our efforts.


## OUR CLIENTS

Our clients value our specialists who solve their complex risk challenges with creativity and collaboration. We are 'client-first' and put our clients at the heart of everything we do. We are not all things to all people. We understand that success requires focus and trade-offs, and when specialty and expertise are aligned we can achieve unparalleled results for our clients.

## OUR CULTURE

Our core culture is about collaborating to serve clients. Our colleagues work together to share their strengths globally for their clients, pooling experience and developing each other's expertise.

Our culture helps us to attract and retain the very best talent by valuing and recognising their expertise. Our clients, colleagues and trading partners work with us because our culture delivers consistent outcomes.

We are fiercely protective of our culture and, as we grow, we take care to preserve it. We ensure that it always supports the very best talent and drives successful and compelling client results.

## OUR COLLEAGUES

We believe that our people are the best in the industry. We attract and retain specialists who want to work with the leading global specialist risk adviser and broker. We invest in our colleagues by offering a comprehensive range of learning and development opportunities that stretch far beyond mandatory training courses.

During the year, we rolled out our Growing Every Day initiative globally, providing training to managers to help them support employees with feedback and a greater focus on career development.

2017 also saw the launch of the JLT University, which aims to be the single point of entry for all learning activity across the Group. The JLT University provides access to technical and soft skills training in a consistent and accessible way globally.

We continue to focus on leadership development to prepare our future leaders across the business.

## INTERNATIONAL SENIOR MANAGEMENT PROGRAMME

In 2017, JLT once again ran the International Senior Management Programme (ISMP) for some of our most promising leaders drawn from across the Group. Its purpose was to build world-class leadership capabilities, deepen people's understanding of the JLT Group, promote greater collaboration, strengthen relationships and preserve the Group's culture.

Employees attending the 2017 ISMP included: Mark McNulty, Philip Rong, Luis Ganoza, Tyrone Farinha, Pedro Farme, Alok Mathur, Kevin Rimmer, Stuart Winter, Toby Pollard, Joe Addison, David Flandro, Matthew Bacon, Collin Yap, David Smith, Doris Yung, Colin Daly, Beatriz Protasio, Carrie O'Neil, Maurice Gatto, Toby Sisson and Lucas Salcedo.

# OUR BUSINESSES AT A GLANCE

Throughout 2017, our business activities were undertaken by two divisions, Risk & Insurance and Employee Benefits.

## RISK & INSURANCE

Our Risk & Insurance business comprises our global Specialty insurance and Reinsurance broking operations.

Our specialist teams focus on those sectors where we have a distinctive level of knowledge and expertise. Working in partnership with clients to manage the complex risks they face, we act as their intermediary with insurers and reinsurers and provide related risk management, analytical, advisory and other services.

### OUR GLOBAL RISK & INSURANCE BUSINESSES PROVIDE SERVICES INCLUDING:

**Advice and consultancy**
Advice to our clients on their insurance and reinsurance programmes, ensuring that they understand the likelihood and potential severity of the risks they face, the options available to mitigate these risks and the potential cost of doing so.

**Brokerage and placement**
Acting on our clients' behalf, using our specialist knowledge to negotiate and place insurance cover with insurers and reinsurers all over the world.

**Specialist insurance products**
Providing our clients with access to certain exclusive insurance facilities, binders and other products, without taking balance sheet underwriting risk.

**Other services**
Providing a range of related services to our clients and insurance market counterparties in areas such as captive management, claims management and administration, and capital raising and corporate insurance advice.

### RISK & INSURANCE 2017

Revenue
£1,065.8m
+11%
2016: £960.9m

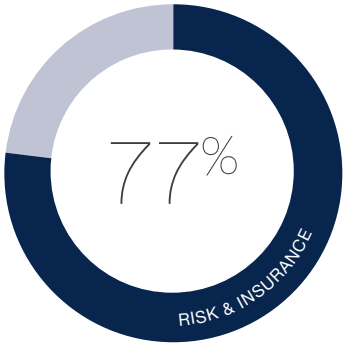
Underlying Trading Profit
£197.9m
+19%
2016: £166.6m

Trading Margin
19%
2016: 17%

Employees
5,818*
2016: 5,460*

** Excludes employees in shared service operations*

### CONTRIBUTION TO GROUP REVENUE 2017




### OUR BUSINESSES

# EMPLOYEE BENEFITS

Our Employee Benefits business offers a comprehensive range of employee benefits advice and services to companies, pension trustees and individuals.

Our specialist teams act as advisers, intermediaries and service providers in the areas of pensions consultancy and administration, employee benefits and healthcare, life insurance and wealth management.

## OUR GLOBAL EMPLOYEE BENEFITS BUSINESSES PROVIDE SERVICES INCLUDING:

**Retirement Solutions**

Providing a range of actuarial and administration services for pension trustees, corporate sponsors and scheme members, including support of outsourced scheme administration, payroll, communications, documentation and technical services.

Offering integrated risk management services to UK pensions trustees and corporate sponsors, including actuarial, investment and risk transfer consultancy, scheme design, governance and independent trustee services.

**Benefits Consulting**

Advice on employee health and benefit programmes, medical claims administration, occupational health and rehabilitation services and placement of health and risk protection policies.

Provision of auto-enrolment, flexible benefits, voluntary benefits and total reward statements through our market-leading platform, Benpal®.

Scheme design management services, including advice on suitable insurance providers, for defined contribution pension schemes.

**Wealth and Investment Management**

Advice and support to individuals on financial planning, including at-retirement services, tax planning and life protection requirements.

Providing discretionary management of assets for both high net worth individuals and company pension schemes, in addition to asset hosting services.

**Technology Solutions**

Provider of one of the most widely used UK pensions administration and fund accounting software platforms to corporate pension schemes.

Providing integrated web solutions to enable members to access information and services, facilitating self-service benefits management.

### EMPLOYEE BENEFITS 2017

Revenue
£320.2m
+7%
2016: £300.4m

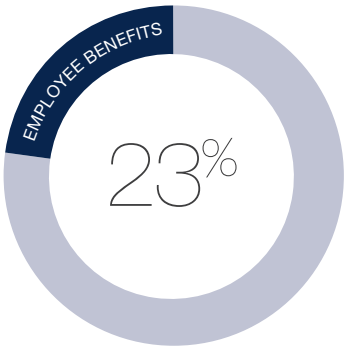
Underlying Trading Profit
£50.1m
+1%
2016: £49.5m

Trading Margin
16%
2016: 16%

Employees
2,621*
2016: 2,656*

** Excludes employees in shared service operations*

### CONTRIBUTION TO GROUP REVENUE 2017




### OUR BUSINESSES

# JLT INTERNATIONAL NETWORK

The JLT International Network offers our multinational clients risk management and employee benefit solutions in over 135 countries, providing a global reach.

Our Network is comprised of majority-owned and associate operations in all of the world's key economies, supplemented by non-owned partner operations. The Network also offers a global distribution channel for JLT's Reinsurance, Specialty and Employee Benefits activities.

All brokers in the Network are carefully selected for their specialist knowledge, local market reputation and quality of service. We expect them to have the capability not only to service JLT's multinational clients to the highest standards, but to compete for and win the largest accounts in their own territories in collaboration with JLT's Reinsurance, Specialty and Employee Benefits teams.

Service standards are codified through our Global Service Standards Guide, a set of clear operating procedures designed to ensure that each client, regardless of their size, consistently receives the highest level of care and attention. Each member of our Network is also required to adhere to JLT's Code of Ethical Conduct.

A further area of differentiation is JLT's Global Service Team hubs, multi-lingual groups that provide clients with a single point of contact, managing their global programmes via the JLT International Network. These specialty teams are used as a centre of excellence, delivering advice to clients and colleagues globally on insurance market practices, regulation and the compliance of global insurance programmes in a fast-changing and challenging environment.

Overall responsibility for the Network sits with the JLT International Network Management Team, whose role is to ensure common service standards through the sharing of expertise and best practices across the Network, whilst offering a clear channel through which to escalate and resolve issues with speed and efficiency.

# CHAIRMAN'S STATEMENT

> "The Group made substantial financial progress, returning to strong overall organic revenue growth of 5%."

Geoffrey Howe

I am pleased to present the Group's Annual Report for the financial year ended 31 December 2017.

JLT has delivered a strong set of financial results in 2017. The Group made substantial financial progress, returning to strong overall organic revenue growth of 5%.

During the year we carried out a re-examination of the Group's strategy, and we have made some important decisions which we believe will position the Group for continued success.

## PERFORMANCE

Total revenues increased by 10%, or 6% at constant rates of exchange (CRE), to £1.39 billion.

The Group's underlying trading profit increased by 10% to £213.7 million and by 7% at CRE. Underlying profit before tax increased by 11% to £191.5 million. The Group's trading margin was maintained at 15.4%.

Our reported profit before tax increased by 35% to £181.6 million, which includes the impact of net exceptional items of £9.9 million.

Reported diluted EPS increased to 54.7p and underlying diluted EPS increased to 58.5p.

## INCREASED DIVIDEND

The Directors have recommended a final dividend of 21.8 pence per share (2016: 20.6 pence) for the year to 31 December 2017. The dividend will be paid on 8 May 2018 to shareholders who are on the register as at 3 April 2018.

This will bring the total dividend for the year to 34.0 pence per share, an overall increase of 5.6% and the ninth consecutive year that JLT has paid an increased dividend.

The business has delivered a Total Shareholder Return (TSR) of 328% over the past nine years, as illustrated in the chart on page 87.

## CORPORATE ACTIVITY HIGHLIGHTS

Our Risk & Insurance businesses delivered organic revenue growth of 5% in the year, with strong client retention and new business in JLT Europe delivering good performances from most divisions in challenging market conditions.

The build-out of our US Specialty platform continues, with revenues approaching USD 100 million in 2017. The net investment losses peaked in 2016 and reduced in 2017 and we remain fully focused on achieving profits as planned in 2019.

JLT Re achieved organic revenue growth of 4%, with a trading margin of 20% which reflected its continued investment in the business.

The UK and Ireland Employment Benefits businesses saw a return to growth in 2017. Trading profits increased by 40% from 2016 with organic revenue growth of 8%.

In the year, the Group completed three acquisitions, for a total consideration of £61.2 million, as it continued to build further scale in its existing businesses and geographies.

The Group is making investments to strengthen its representation in continental Europe. These investments support the Group's preparations for different Brexit scenarios.

In light of the investments being made and the preparatory work that has been undertaken, we do not anticipate that Brexit will materially impact our ability to serve clients and access markets in the European Union.

**£1.39bn**
TOTAL REVENUE

**10%**
INCREASE ON 2016

**34.0p**
TOTAL DIVIDEND

## RE-EXAMINATION OF GROUP STRATEGY

During 2017 we carried out a re-examination of the Group's strategy, in order to ensure that it remains appropriate to support and enable our future growth plans so we can continue to create long-term value for our stakeholders. The review resulted in a number of key conclusions in respect of the future shape of the Group's strategy, recognising the importance of JLT's distinctive identity and culture and deep specialist strength as key differentiators between JLT and its larger competitors; and the importance of consistent and coordinated collaboration across divisions, regions and industry practices.

The review also recognised JLT's international development needs and opportunities, including in the US, where our representation now creates the opportunity for us to move from an international to a global business. As a result of the review, the Group reformulated its mission during the year: 'To become the leading global specialist risk adviser and broker'.

To progress towards our mission, the Group is undertaking a number of strategic initiatives, including:

- the simplification of our business and management structure. As we announced in January, from 1 April 2018, our regional insurance broking operations will be brought together into an integrated Specialty division. The Group's businesses will then be structured into three divisions, Reinsurance, Specialty and Employee Benefits;
- the implementation of a Global Transformation Programme to streamline the operational processes we use to serve clients in each of our divisions, to deliver global consistency and eliminate duplicated costs;
- building on the firm foundation we have already established in the US through continuing organic revenue growth, complemented by targeted acquisitions; and
- coordinating the marketing and operation of our Employee Benefits activities worldwide.

Further details regarding the strategy review and these key initiatives can be found in the Chief Executive's Review on pages 14 to 17 and in the Reviewing & Delivering Our Strategy section on pages 22 to 24.

## CORPORATE GOVERNANCE

The Board continues to recognise the need for a strong corporate governance framework and supporting processes across the Group and believes that good governance, with tone set from the top, is a key factor in delivering sustainable business performance and creating value for the Group's stakeholders. The Board feels that it has a good balance of experience, skills and knowledge to support and challenge the management team, and that it is supported by effective governance and control systems. More information on these systems can be found in the Corporate Governance Report on pages 57 to 66. In addition, the Directors' Report on pages 91 to 98 reports on JLT's compliance with the 2016 UK Corporate Governance Code (the Code) during 2017.

During the year, the Board and its Committees undertook reviews of their effectiveness. The conclusions from these reviews provided useful feedback to each body on its performance. Further details are provided in the Corporate Governance Report on pages 57 to 66.

JLT's share incentive schemes are designed to ensure that decisions are made by management to support long-term growth, that the right behaviours are rewarded and that management's interests are aligned with those of shareholders. Further details of the operation of these schemes can be found in the Directors' Remuneration Report set out on pages 78 to 90.

The strength and support of Jardine Matheson has been, and will continue to be, an important factor in the success of JLT. Since 2014 a Relationship Agreement has been in place with Jardine Matheson, in accordance with the Listing Rules of the Financial Conduct Authority (FCA), which require shareholders with a 30% or more shareholding to comply with certain independence provisions set out in a written and legally binding agreement. More detail on the relationship with Jardine Matheson is set out on page 66.

## BOARD AND SENIOR MANAGEMENT DEVELOPMENTS

There were a number of Board and senior management changes during 2017. Two Directors stepped down from the Board: Bruce Carnegie-Brown retired on 14 June 2017, following his appointment as the Chairman of Lloyd's of London, and Jonathan Dawson retired on 3 October 2017. I should like to record the Board's thanks to Bruce and Jonathan for their respective valuable contributions to the Board and its Committees.

We were pleased to welcome Andrew Didham and Richard Meddings, who both joined the Board on 2 October 2017. Richard has become Chair of the Remuneration Committee and Andrew has become Chair of the Audit & Risk Committee. Annette Court has succeeded Jonathan Dawson as the Company's Senior Independent Director.

As we announced on 28 February 2018, Lynne Peacock will also join the Board as a Non-Executive Director with effect from 1 May 2018. Lynne brings with her a broad range of board skills and extensive experience gained in the financial services industry over many years. Lynne, along with our existing Directors, will be proposed for election at this year's Annual General Meeting and Lynne's biographical details will be set out in the Notice of Annual General Meeting.

At a senior management level, and following the re-examination of our strategy, Lucy Clarke was appointed as Chief Executive of the Group's worldwide insurance broking activities with effect from 1 April 2018, with the title Global CEO of JLT Specialty. The remit of this new role covers all the Group's business activities except Reinsurance broking and Employee Benefits and reports to the Group Chief Executive, Dominic Burke.

Jonathan Palmer-Brown stepped down from the Group Executive Committee at the end of the year and continues to act as an Adviser to the Group Chief Executive.

Leo Demer retired as CEO of our Australia and New Zealand business at the end of 2017 and has been succeeded by Nick Harris. Nick joined the Group Executive Committee with effect from 1 January 2018. Leo assumes the new role of Head of Global Public Sector Specialties.

With effect from 26 February 2018, Mike Rice became Executive Chairman of JLT's US Specialty business to focus on M&A and to continue to play a leading role in driving new business development. Pat Donnelly, formerly President and Deputy CEO, assumed the role of CEO of that business.

In view of the changes to the Group business and management structure, the Group Executive Committee will be reconstituted from 1 April 2018. The members of the Committee will comprise: Dominic Burke, Mark Drummond Brady, Charles Rozes, Lucy Clarke, Ross Howard, Mike Methley, William Nabarro, Jim Pierce, Mike Reynolds and Bala Viswanathan.

## OUR PEOPLE

On behalf of the Board I would like to thank everyone in JLT for their continued hard work and contribution to the Group's results in 2017. I would also like to welcome all our new colleagues who have joined JLT during the year. Whatever part of the Group I visit I always see evidence of the distinctive culture at JLT that values agility and entrepreneurial drive, rigour and depth of thought and a collaborative approach that puts customers first. There is further information about our colleagues and culture on page 7.

## OUR ROLE IN SOCIETY

JLT takes its role in society seriously and has an active Corporate Responsibility programme. JLT's approach is coordinated by a Corporate Responsibility Steering Committee, which has Board, Group Executive Committee and senior management membership.

JLT supports the charitable efforts of colleagues around the Group. We currently focus on three strategic partners aligned to our own areas of business, sharing the social benefits of knowledge, wellbeing and resilience. Our current partners on these strategic themes are Udaan Foundation (knowledge), Alzheimer's Society (wellbeing) and RedR (resilience). We manage the majority of our charitable giving business-by-business, with a central fund to provide greater support to our strategic partners.

We regularly engage clients in joint fundraising activities and see this as an important part of client relationship building.

We match pound-for-pound money raised by UK staff in fundraising activities and all UK staff are entitled to take one Charity Day per year, when they can spend company time helping a charity. The Group Charities Committee considers the many requests we receive from charities and takes a particular interest in those charities connected to communities local to our offices.

Our Diversity Committee has defined our diversity agenda on the basis of three pillars: Networking, Sponsorship and Involvement, while ensuring that all of our activities are inclusive, whether externally or internally focused. In 2017, JLT supported a number of initiatives, both internally and at public events in the London and other markets, to help drive a more diverse and inclusive business and to play our part in addressing diversity challenges in our industry.

We are also keen to ensure that we minimise our environmental impact and we take a number of steps to reduce our carbon footprint, such as encouraging the use of teleconferencing facilities where possible, instead of travelling to face-to-face meetings.

Further details can be found in our Corporate Responsibility Report on pages 46 to 55.

## SHARE BUY-BACK AUTHORITY

We will be seeking renewal of our standing share buy-back authority at the forthcoming Annual General Meeting, up to a maximum of 10% of the Company's issued share capital.

As in previous years, we will not be seeking shareholder approval for a dispensation under Rule 9 of the Takeover Code in relation to this authority. This means that if the Directors were to initiate a buy-back, then in order to avoid triggering a mandatory offer obligation on Jardine Matheson Holdings (JMH) under Rule 37 of the Takeover Code, JMH would need to be able to participate in those buy-backs so that its overall percentage holding (which as at 22 February 2018 was 40.16%) did not increase following the buy-back.

Although the Company has not utilised the authority to buy back shares since 2008, the Board believes it would be in the interests of all shareholders for the Company to have the right to purchase its own shares in the market in the appropriate circumstances. We would only exercise this authority if we believe it is in the best interests of the shareholders and would result in an improvement in earnings per share.

## OUTLOOK

Overall the Group is in very good shape and well placed to take advantage of the current market environment. We enter 2018 looking forward to continuing strong organic revenue growth and further financial progress.

**Geoffrey Howe**
Chairman
28 February 2018

# CHIEF EXECUTIVE'S REVIEW

> “2017 was an important year for the JLT Group. The decisions we took during the year and the strategic developments we have initiated will, I believe, mark the start of a new chapter in the growth of JLT.”

Dominic Burke

## KEY FINANCIAL HIGHLIGHTS

JLT made substantial financial progress in 2017, returning to strong organic revenue growth.

JLT achieved total revenues of £1,386 million in 2017, an increase of 10% over 2016. This included strong organic revenue growth of 5%, in line with historical rates.

Our underlying profit before tax increased by 11% to £191.5 million, or by 8% at constant rates of exchange (CRE). The trading margin was maintained at 15.4%.

### RISK & INSURANCE

Our global Risk & Insurance businesses grew revenues to £1,066 million, an increase of 11%, with organic revenue growth of 5%. Trading profit rose substantially, increasing from £166.6 million to £197.9 million and contributing to a 2% increase in trading margin to 19%.

JLT Europe delivered total revenues of £399.3 million in 2017. After adjusting for the disposal of Thistle at the end of 2016, this represented revenue growth of 7%, or 4% growth on an organic revenue basis. Trading profit in JLT Europe increased by 9% to £90.6 million and the trading margin increased from 22% to 23% on an adjusted basis.

Strong client retention and new business drove good performances from most divisions, including in Financial Lines, Northern Europe and Credit & Political Risks. This achievement was delivered despite challenging market conditions, particularly in the Energy and Marine sectors.

We made investments in 2017 to strengthen our presence in continental Europe, including the acquisition of Belgibo, the Belgian specialty broker, in August. These investments for growth also support our Brexit planning, enabling JLT to manage the consequences of different Brexit scenarios.

Outside of Europe, we also delivered strong growth in our international Specialty businesses, which achieved revenues of £449.4 million, a headline increase of 21% with organic revenue growth of 8%. The combined trading margin in the international Specialty businesses increased from 12% to 14%.

JLT's Australia and New Zealand businesses grew revenues by 7% to £125.7 million. We anticipate that earnings from a number of important client wins will help these businesses return to organic revenue growth in 2018.

Our business in Asia had a good performance with an 11% increase in revenues to £100.3 million, with 6% organic revenue growth. Revenue performance was driven by our core specialties, particularly Financial Lines and Construction.

Our Latin American operations grew revenues by 31% to £93.3 million, with 19% organic revenue growth. Trading profit increased by 24% to £26.1 million, a 17% increase at CRE. We have been making significant investments in building our Specialty capabilities across Latin America and these results demonstrate the success of that strategy.

The US Specialty business continued to make good progress in the year, delivering revenue approaching USD 100 million. Net investment losses reduced from £27 million to £16 million, delivering on our previous guidance that these losses reached the 'high-water' mark at the end of 2016. The US business is now firmly established with 335 employees in 17 locations and an increasing market presence, now representing 5% of the Fortune 500.

JLT Re, our global reinsurance broking business, increased revenues by 11% to £217.1 million, reflecting organic revenue growth of 4%. This performance was delivered despite a continued decline in pricing across most lines of reinsurance and in most geographies during the year. This was underlined by the 1 January 2017 renewals, which saw risk-adjusted global property-catastrophe pricing reduce by almost 6%.

JLT Re's trading profit increased by 5% to £42.4 million. The trading margin was 20% in the year, reflecting JLT Re's continued investment in market leading talent across all of its geographies, increasing headcount by approximately 10% year on year. Organic revenue growth in Europe and North America was offset in part by Asia Pacific, where we saw significant headwinds from the rating environment combined with reductions in facultative buying activity.

### EMPLOYEE BENEFITS

JLT's global Employee Benefits (EB) operations delivered overall revenue growth of 7%, with 4% organic revenue growth. Within the global total, the UK EB business achieved particularly strong organic revenue growth of 8%, which was offset by some weakness in regions of the international EB business.

JLT's UK and Ireland EB business grew revenues by 7% to £172.0 million, reflecting impressive organic revenue growth of 8%. Trading profit increased by 40% to £17.2 million.

Trading margins in the UK and Ireland EB business increased from 8% to 10%. We now expect to achieve our 15% trading margin target for this business in 2019, rather than in 2018, with the benefit of the Global Transformation Programme described below. The Group anticipates that the business will make further progress in 2018 towards this target, with the majority of the progress being made in 2019.

JLT's international Employee Benefits businesses achieved mixed headline results, although there was improving momentum and some good performances within individual businesses.

In Asia, Private Client Services (PCS), our life assurance broker, had a difficult first half to the year. However, this was followed by a positive performance in the second half of the year. The business is now expanding into new geographies, including mainland China.

In Australia, structural changes in the workers compensation market resulted in a slower rate of revenue growth. However, we are anticipating a better performance in 2018, building on the trading profit growth in 2017.

In Brazil, corporate payrolls fell as the economy remained weak, leading to slower headline revenue growth and a year on year reduction in trading profit in the region. However, Latin America EB has been successful in winning significant volumes of new business and we look forward to growth rates returning to former levels in this business as economies in the region recover.

Details of the performance of each individual business are set out in the Review of Operations on pages 27 to 34.

## A YEAR OF PROGRESS AND STRATEGIC DEVELOPMENT

2017 was an important year for the JLT Group. The decisions we took during the year and the strategic developments we have initiated will, I believe, mark the start of a new chapter in the growth of JLT.

The Group's acquisition of TW Re in late 2013, followed by the establishment of JLT's US Specialty business in 2014, has given JLT a firm foundation in the US. That increase in scope and opportunity provided the context for the Group's re-examination of its strategy during 2017. The process confirmed that:

- JLT's deep specialist strength is a key differentiator between JLT and its larger competitors; and
- representation in the US now gives JLT the opportunity to move from an international to a global business across each of Reinsurance, Specialty and Employee Benefits.

JLT re-articulated its mission, 'To become the leading global specialist risk adviser and broker', and the Group is now taking a number of important steps towards its strategic objectives.

### BUSINESS AND MANAGEMENT STRUCTURE

We are making a number of structural changes to the businesses and management of JLT. Collaboration has always been a key part of the JLT culture. However, becoming truly global requires us to graduate from informal, ad hoc collaboration to consistent and systematically coordinated working.

As announced in January 2018, Lucy Clarke has been appointed to the new role of Global CEO of the Group's Specialty business with effect from 1 April. Bringing JLT's regional insurance broking operations together into an integrated Specialty division, with leaders appointed in each of its principal industry specialty businesses (Energy, Construction, Financial Lines, Aerospace, Marine & Cargo and Credit & Political Risks), responsible for globally coordinated sales and delivery to clients, will enable JLT to operate as a combined group of global specialists.

An integrated global management structure is already operating effectively and delivering value in JLT's Reinsurance division. The Group is confident that JLT will realise the same benefits in Global Specialty, and that its Specialty businesses will see accelerated growth, operating on a global basis.

Employee Benefits will also operate as a worldwide business. UK & Ireland and International Employee Benefits, including PCS, will be the third of JLT's three business divisions.

From 1 April 2018, the Group's businesses will therefore be structured into three divisions, Reinsurance, Specialty and Employee Benefits, and the same structure will be adopted when reporting the Group's future results.

## GLOBAL TRANSFORMATION PROGRAMME – TRANSFORMING OUR OPERATIONAL CAPABILITIES

For some time JLT has been investigating how we can streamline the operational processes used to serve clients in each of our divisions, to deliver global consistency and eliminate duplicated costs.

The Group will be implementing a two-year plus Group-wide Global Transformation Programme. From 2020, JLT expects to use a consistent set of processes and core operating platforms for the delivery of each of Reinsurance, Specialty and Employee Benefits.

The benefits will be significant in terms of seamless global service and delivery; communications internally and externally to clients; and data collection and analysis.

In financial terms, the Group expects the programme to deliver annualised savings of £40 million by 2020 for a one-off cost of £45 million. Further financial details can be found in the Finance Director's Review on page 38.

Operating on a consistent basis across all of JLT's global businesses will achieve significant, tangible benefits: a better client experience, improved cost efficiency and stronger controls.

## JLT SPECIALTY USA – BUILDING A BUSINESS OF SCALE

The objective of building a US Specialty business that contributes to the Group on a scale that better reflects the importance of the US to the global economy is at the heart of the Group's medium term strategy.

In addition to revenues and profits generated in and from the US, the Group believes that a strong US business will create further opportunities for growth in other parts of the world.

We therefore intend to build on the firm foundation that JLT has already established in the US through continuing organic revenue growth, complemented by targeted acquisitions. This began with the purchase of a controlling interest in the construction specialist, Construction Risk Partners, in January 2017 which has proven to be highly successful, delivering a continuing stream of domestic wins and increasing coordination throughout the Group to win and service international construction clients.

In 2017, the US Specialty business represented 5% of the Group's revenues. That proportion is expected to grow in the next few years. Following a move into profitability in 2019, we anticipate that trading margins in the US Specialty business will move broadly into line with those in JLT's other major global Specialty businesses in the medium term.

## EMPLOYEE BENEFITS - ESTABLISHING A COORDINATED GLOBAL BUSINESS

The Group is confident about the momentum throughout the Employee Benefits busnesses going into 2018, and the prospects for the division's revenue and profit growth.

In UK EB, the largest business, we anticipate further strong growth in both revenue and trading margin as we see a return on the investments made in recent years.

The UK EB business has a strong position in the occupational pension scheme market. It is also making appropriate investments for the future so as to generate new business from today's employees. These investments are in the 'new world' areas of retirement savings, occupational health insurance, employee wellness, workplace marketing and flexible benefits made available by employers to their workforces, as well as serving the growing needs of workers in the 'gig economy'.

JLT now operates Employee Benefits across the Group and through its international network, and we have begun work to coordinate the presentation and marketing of our Employee Benefits activities worldwide. During 2017, we took advantage of JLT's international coverage to launch a coordinated global Employee Benefits offering, sold, managed and delivered by a single global team. The initial response from clients confirms that JLT can grow revenues in the international employee benefits market.

## LOOKING FORWARD

After five consecutive years of falling reinsurance rates, global property catastrophe rates have experienced some upward pressure but with significant variances across regions driven in large part by the losses experienced following hurricanes Harvey, Irma and Maria. Across most lines and most classes of reinsurance and specialty, the trend of steady price reductions through a number of years seems to have moderated or ended. However, a consistent pattern is not evident and it would be premature to refer to a hardening market.

In today's market each risk needs the broker to demonstrate real understanding of the risk and real transactional expertise to secure appropriate cover on the optimum terms for the client. This is the specialist capability that JLT has built over the past decade and the Group is confident that JLT is well placed to grow and execute on its strategy.

JLT has entered 2018 with real momentum but we do not expect a consistently hard insurance market. While the Group is positive with regards to the factors within its control, volatile currency markets present a risk. Therefore, taken together, JLT enters 2018 looking forward to continuing strong organic revenue growth and further financial progress.

**Dominic Burke**
Group Chief Executive
28 February 2018

# MARKET FACTORS IMPACTING JLT

JLT is a global provider of reinsurance, insurance and employee benefits related advice, brokerage and services. Our business is influenced by a number of external factors, at both an industry-specific level and more generally. A summary of some key market factors which currently affect JLT, and are expected to continue to impact it in the coming years, is set out below.

## 1

## GLOBAL MACRO ECONOMIC TRENDS

The IMF estimates that global output grew by 3.6% in 2017 and that it will grow by 3.9% in 2018, with sustained growth momentum across North America, Europe and the emerging markets. Risks to the global growth forecast are seen as broadly balanced in the near term, but remain skewed to the downside over the medium term.

The future development of the UK economy remains less clear and subject to volatility in the near term as negotiation of the UK's exit from the EU continues.

Higher oil prices in recent months have stimulated some new exploration activity but, overall, global exploration spend is not expected to increase in 2018. Similarly, forecasts for maritime industry activity are mixed.

### IMPACT ON JLT

JLT's growth prospects are sensitive to macro trends: higher levels of economic growth lead to more corporate activity, investment and increasing personal wealth. This increased activity stimulates demand for our services.

In light of the Group's investments to strengthen its representation in the European Union and the preparatory work undertaken, JLT does not anticipate that Brexit will materially impact its ability to serve clients and access markets in the EU.

Conditions remain challenging in industries such as energy and marine, which represent important client concentrations for JLT.

For the longer term, JLT's strategy is increasingly aligned with faster-growing sectors and geographies where demand is driven by market trends and demographic factors such as population growth, ageing, urbanisation and increasing middle-class wealth.

2

## THE RATING ENVIRONMENT

For several years, high levels of available capital in the insurance markets, with relatively low loss levels, have led to sustained downward pressure on premiums. The level of capital deployed in the insurance and reinsurance markets remains high.

Towards the end of 2017, upward pricing pressure was experienced in some reinsurance markets. This was primarily a result of the higher property catastrophe losses caused by hurricanes Harvey, Irma and Maria striking coastal regions of the US and the Caribbean. Wild fires in California also added to market losses.

At the start of 2018, the trend of significant price reductions seems to have moderated or ended, with renewal rates seeing increases in areas where there were heavy losses. However, other lines of business are still seeing price reductions, albeit at a slower pace, and a consistent pattern is not yet evident.

### IMPACT ON JLT

JLT is adversely affected by depressed insurance and reinsurance pricing levels as a significant proportion of our income is earned by way of commissions. This creates challenges for the business in delivering organic growth.

Reduced downward pressure on insurance pricing should provide a better trading environment for JLT but we continue to focus on those specialty sectors and economies where there is particular value in our distinctive proposition.

If available capital and insurance capacity in the market moderates or declines, the value of the expertise provided by the broker will increase.

3

## COMPETITION

JLT faces a wide range of local, regional and international competitors in its Reinsurance, Specialty and Employee Benefits operations.

Macro economic headwinds and the depressed rating environment have combined, over recent years, to create a competitive environment in which some rivals have discounted heavily to retain and win new business, as well as offering very significant remuneration packages to attract new staff.

The competitive environment is unlikely to ease significantly in the near future, even if the rating environment starts to ease.

### IMPACT ON JLT

JLT has been able to attract new clients due to its differentiated specialty-led offering and distinctive culture.

We remain confident that the distinctive culture JLT offers to professional colleagues, together with our client proposition, will allow us to continue to attract and retain talent and business.

# 4

## REGULATION

JLT operates under the jurisdiction of a number of different regulators. Its principal regulator is the UK Financial Conduct Authority (FCA). The level of oversight exercised by the various financial services regulators varies from country to country and often by business activity, but the overall trend is towards increasing levels of regulatory oversight. There is also more consistency in the type of regulation being introduced across many countries, in areas such as data protection.

Regulation can also create a more level playing field and help stimulate greater client demand. Proportionate and fair regulation is something we welcome as being positive for our clients, our colleagues and the industry as a whole.

### IMPACT ON JLT

The trends in global regulation place an additional resource and cost burden on JLT. They also increase the chances of regulatory action being faced by the Group in the relevant jurisdictions, sometimes with a retrospective element.

Furthermore, as JLT grows, we can expect a greater level of regulatory scrutiny in line with our increased scale, particularly for those of our businesses that carry consumer 'conduct risk'. We continue to invest in our risk and compliance frameworks to ensure that we have the right skills to enable us to advise our businesses on the implications of the changing regulatory environment.

JLT is committed to working constructively with all of our regulators to ensure that we meet our regulatory commitments, protect our clients' interests and achieve fair client outcomes.

# 5

## TECHNOLOGY

Advances in technology are bringing rapid changes in how JLT's clients' businesses are run and in the risks they face. Similar pressures directly impact JLT's own business.

Technological change also gives rise to new areas of insurance such as cyber risk cover.

A significant increase in the volume of risk and insurance data that can be collected and analysed is having a significant impact on the industry's actuarial understanding of underlying risk trends and how they should be priced.

Technological advances potentially enable a new generation of competitors to disrupt existing players such as JLT.

### IMPACT ON JLT

Technological changes create opportunities for JLT to carry out its operations more efficiently and cost-effectively. They also allow us to enhance the service we provide to clients, for example through the collection and use of data to drive better insights for our clients, or through the adoption of new channels for engaging and communicating with them.

While the level of risk to our own business from cyber attack continues to increase, and requires substantial investment in systems and procedures to counter the threats, cyber risk offers an opportunity to provide risk management advisory services to clients.

Since a large proportion of the services JLT provides are specialised services in relation to the complex, specific risks borne by a base of mainly large clients, we believe that JLT is at a comparatively low risk of technology-enabled disruption.

# OUR BUSINESS MODEL

From April 2018, our business will be structured into three divisions, Reinsurance, Specialty and Employee Benefits.

## OUR MISSION

The Group's mission is to become the leading global specialist risk adviser and broker, operating through three divisions, Reinsurance, Specialty and Employee Benefits. We will achieve that by establishing, developing and refining our specialised capabilities and ensuring that there is coordination across the Group to provide a seamless global service to clients that include the largest multinationals. This will govern the Group's strategy.

## DIVISIONS

### REINSURANCE

Providing reinsurance broking and specialist advisory services in a range of areas including analytics, actuarial, catastrophe modelling and exposure management, capital raising, mergers and acquisitions, cyber, terrorism, political risk, credit and crisis management, workers compensation and strategic consulting.

Clients include regional, national and global insurers as well as large captives, mutuals and risk pooling groups.

### SPECIALTY

Providing insurance broking, risk management and claims services for clients across a wide range of business sectors.

Clients include multinational corporations and other public and private sector organisations, retail insurance brokers and individuals.

Growth is driven via creation and development of industry specialty practices.

### EMPLOYEE BENEFITS

Acting as an adviser, intermediary and service provider in the pensions consultancy and administration, employee benefits and healthcare, life insurance, wealth management and health and accident claims management sectors.

Clients include national and multinational corporations, public and private sector organisations, pension trustees and individuals.

## FEES AND COMMISSIONS

Fees are typically charged either on a time-cost or a fixed-fee basis and are earned in each of the Reinsurance, Specialty and Employee Benefits divisions. These fees are paid by the client rather than the insurer or reinsurer.

Commissions are typically based on a percentage of the insurance or reinsurance premium being paid by the client. Frequently, the level of this commission payment is also subject to negotiation with the client. This commission is paid by the insurer or reinsurer rather than the client and is largely earned in the Group's Reinsurance and Specialty businesses.

## ACQUISITIONS

Acquisitions to complement organic revenue growth have been, and will continue to be, an important element of delivering on the Group's strategy. In 2017, the Group made three new acquisitions for a total consideration of £61.2 million.

In the last 5 years, the Group has made a total of 36 acquisitions for a total consideration of £379.9 million. The three largest of these constituted 64% of this amount.

## INVESTMENT INCOME

Investment income arises from the holding of cash and investments on behalf of clients. The holding of client monies largely relates to premium and claims payments which the business holds for a short period of time in its role as the intermediary.

## COSTS

Two of the largest underlying costs to the business relate to staff and premises. In 2017, these represented 62% and 5% respectively of total revenues. There is a clear focus on cost discipline with the trading margin being a Key Performance Indicator. The Group's Global Transformation Programme is projected to deliver significant cost reductions.

## PEOPLE

The Group continues to retain and recruit market-leading individuals across all of its global operations.

JLT now has over 10,000 employees working for the Group. Key to the success of our recruitment approach has been retaining and attracting individuals who not only add further capabilities, but also fit JLT's distinctive culture.

The Group is committed to investing in the training and development of all its employees.

## PROFIT

REINVESTED IN BUSINESS

REMITTED TO SHAREHOLDERS

# REVIEWING & DELIVERING OUR STRATEGY

## OUR MISSION

**To become the leading global specialist risk adviser and broker.**

## OUR STRATEGY

Our strategy balances the interests of our four key stakeholders: our clients, our colleagues, our trading partners and our shareholders. The four pillars to our strategy are described in more detail on page 6: Culture, Specialist, Coordination and International.

## RE-EXAMINATION OF GROUP STRATEGY

During 2017 we carried out a re-examination of the Group's strategy, in order to ensure that it remains appropriate to support and enable our future growth plans.

The potential created for the Group by our growth in the US includes both further expansion in the US market and the acceleration of our development in other parts of the world. The US ambition remains at the heart of the Group's medium term strategy. It was against this backdrop that we re-examined our strategy, to ensure that the Group is able to deliver on this growth potential.

The review was also carried out in the context of continuing economic and industry challenges, including headwinds in the reinsurance rating environment and challenging market conditions in some industry sectors, such as oil and gas. Other factors included changes in the types of risks that clients face, with a move to more communication and processing-dominated ways of conducting business across many industries, and the emergence of more intangible risks.

Extensive discussions were held with senior colleagues across the Group, as well as with our clients and our trading partners, in order to gain a detailed understanding of the key challenges and opportunities the business faces.

## KEY CONCLUSIONS

The review resulted in a number of conclusions in respect of the future shape of the Group's strategy. These are summarised below.

### PRESERVATION OF JLT'S DISTINCTIVE CULTURE

JLT's distinctive identity and culture – an entrepreneurial approach, a focus on clients' interests and the provision to colleagues of the opportunity to develop their practices - are key differentiators with clients, insurance professionals and markets. Their preservation and development are seen as paramount. At the same time, it is essential to maintain an equitable balance between the interests of the Group's four principal stakeholders: our clients, colleagues, trading partners and shareholders.

### SPECIALIST FOCUS

JLT will focus on becoming even more of a Specialty business in the next few years.

'Specialty' is defined as those practice areas (industries or products) where JLT has:

- deep knowledge, expertise and experience;
- understanding of the risks specific to the area and risk management options;
- first rate transactional capability; and
- market standing, contacts and reputation.

Specialty also includes those areas where JLT can operate and compete as a value-adding trusted adviser, offering services such as data analytics, risk evaluation and management services, in order to win appointments to carry out placements and to provide the best service to our clients.

A large component of JLT's success is the quality of our people, and it is this emphasis on enabling professionals to deploy their strength that makes JLT an attractive employer. We will not seek to commoditise what is a value-adding professional offering or rely on automatic placement of premiums via client treaties or other mechanisms with the carriers who offer the intermediary the highest return at the lowest cost. We do recognise, however, that changes are taking place in how clients address risk, which are leading to changes in the types of service they want from JLT. It is essential for us to deliver what clients want, which will mean striking the right balance between complex transactions and simpler, more commoditised solutions in some circumstances.

JLT will focus on narrower but deeper penetration of existing clients, with increased cross-selling of additional lines of cover to existing clients.

JLT will focus its investment in new risk areas, as a worldwide evolution of risk from the physical to the intangible occurs. In particular there will be extensive investment in the management of Cyber Risk and areas such as Credit & Political Risks.

As a result of the review, the Group re-articulated its mission during the year: 'To become the leading global specialist risk adviser and broker'.

## COORDINATION IS A KEY DIFFERENTIATOR

Another key conclusion from the review was to reaffirm the importance of collaboration across divisions, regions and industry practices as a differentiator between JLT and its competitors. Working together is central to the JLT culture; it has been a major factor behind our success and is, and will remain, the foundation of our structure and what we offer to clients.

To pursue the Group's mission successfully, JLT needs to evolve from case-by-case collaboration to working in a more formalised and consistently coordinated way. This will enable JLT to provide a seamless and consistent global service to multinational clients wherever in the world we engage with them.

## AN EFFECTIVE INTERNATIONAL NETWORK

JLT's International Network, which is a combination of controlled and non-controlled, branded and non-branded operations, is effective. There are, however, opportunities to improve collaboration within and between regions, through investment in supporting emerging specialties and international development of regional strengths.

The objective of building a US Specialty business that contributes to the Group on a scale that better reflects the importance of the US to the global economy is at the heart of the Group's medium-term strategy. The Group intends to build on the firm foundation that it has already established in the US through continuing organic revenue growth, complemented by targeted acquisitions.

JLT will focus on strengthening its continental European presence ahead of the UK's exit from the European Union.

JLT will also continue to explore opportunities to strengthen its presence in China.

JLT needs to have the right representation in the right locations to enable us to realise our global Specialty mission in our chosen industries.

## STRATEGIC INITIATIVES

The Group is undertaking a number of strategic initiatives to progress towards its mission to become the leading global specialist risk adviser and broker, details of which are set out in the Chief Executive's Review on pages 14 and 15 and the table on page 24.

# STRATEGIC ACHIEVEMENTS AND PRIORITIES

Set out below is a summary of the key achievements in 2017 against each of the elements of the Group's strategy (as reshaped) and the Group's strategic priorities in 2018:

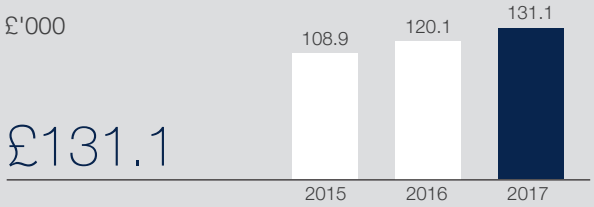
| STRATEGY ELEMENT | ACHIEVEMENTS IN 2017 | PRIORITIES IN 2018 |
|---|---|---|
| 1 PRESERVING AND DEVELOPING JLT'S CULTURE AND IDENTITY | • Carried out a detailed review of the leadership capability and potential of senior management and developed global talent pools to ensure that JLT's talent is being deployed in the right place, at the right time.<br>• Continued development of diversity programmes to ensure that we recruit the best and foster career development without limitation.<br>• Built our technical training capability on a global scale. | • Implement career development plans addressing the results of the leadership review.<br>• Continued focus on employing the strongest practitioners in our Specialty fields, aligned with JLT's culture.<br>• Continue to review our employee development programmes to ensure they fully support our leaders in delivering the strategic aims of the business. |
| 2 BECOMING MORE SPECIALIST | • Reinforced our Reinsurance, Specialty and Employee Benefits activities in developing markets, through selected investments, bolt-on acquisitions and partnerships.<br>• Investment in the continued build-out of our US Specialty business, through selective specialist recruitment and the acquisition of Construction Risk Partners LLC.<br>• Continued development of global specialties such as Healthcare and Credit & Political Risks. | • Continued investment in new risk areas to reflect the worldwide evolution of risk from the tangible to the intangible, including Cyber and Credit & Political Risks.<br>• Deepen the Group's offering of data analytics and risk evaluation and management services, through the implementation of the Global Transformation Programme and the launch of JLT Re's proprietary analytics software, ANSER.<br>• Focus on increased cross-selling of additional lines of cover in areas of Specialty strength to existing clients. |
| 3 IMPROVING COORDINATION ACROSS THE GROUP | • Developing consistent global processes across our Specialty business.<br>• Global coordination of Portfolio Management activities across all our operating entities and geographies, supported by an appropriate operating platform and governance structure.<br>• Continued roll out of a single common reinsurance platform across the Group.<br>• Launched a coordinated global Employee Benefits offering, sold, managed and delivered by a single global team.<br>• Achieved greater alignment across all functional areas. | • Implement the new global Specialty structure.<br>• Roll out a global practice approach across all of the Group's key Specialty areas, including Energy, Construction, Financial Lines, Aerospace, Marine & Cargo and Credit & Political Risks.<br>• Implement the Global Transformation Programme to deliver an integrated approach to facilitate consistent and systematically coordinated working across the Group.<br>• Continue to develop and market Employee Benefits as a coordinated global practice. |
| 4 DEVELOPING THE INTERNATIONAL NETWORK | • Developed a strategic growth plan for US Specialty which maintains the momentum of the business.<br>• Developed a plan to address the implications for JLT's business arising from the UK's withdrawal from the EU, including the acquisition of Belgibo NV.<br>• Expanded our global Employee Benefits practice and local benefits capability to provide international benefits solutions for clients. | • Implement the US Specialty plan, with targeted acquisition activity complementing continuing organic revenue growth.<br>• Continue to strengthen the Group's presence in continental Europe through acquisition and enhancement of network relationships.<br>• Strengthening the Group's presence in key emerging markets such as China and India. |

# KEY PERFORMANCE INDICATORS

## GROUP

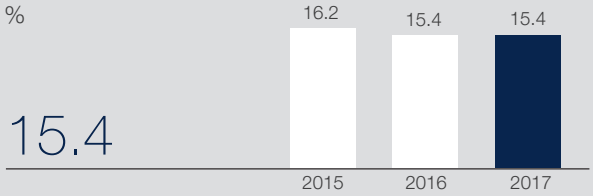
### Total revenue per employee*

Revenue per employee increased, reflecting a 10% growth in revenue whilst headcount remained at a similar level to 2016. Across the Group we continued to invest in our Specialty capabilities through the ongoing recruitment of leading industry professionals and targeted acquisitions which has offset headcount reduction from disposals.



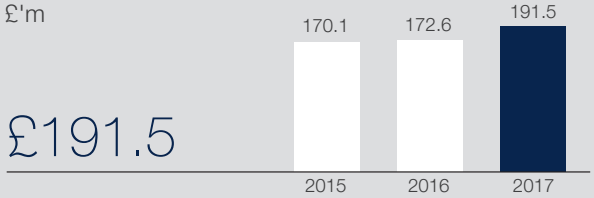

### Trading Margin**

The underlying trading margin for the Group was maintained at 15.4%. Our focus on preserving operating leverage maintained cost growth in line with revenue, whilst continuing to invest for the future.



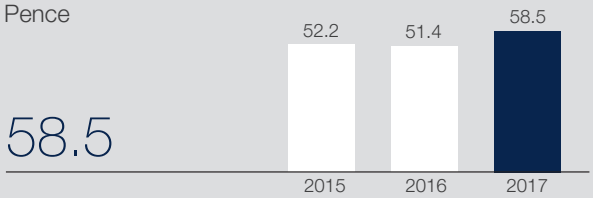

### Underlying PBT***

Underlying PBT increased by 11% driven mainly by trading profit in the business and positive foreign exchange movements.



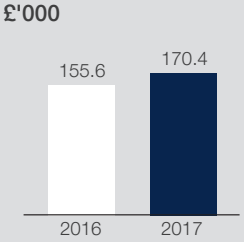

### Underlying Diluted EPS***

Underlying diluted EPS increased by 14% in the year. The performance related remuneration of the Executive Directors and other senior executives within the Group is closely aligned to PBT and EPS performance. This is discussed in more detail in the Directors' Remuneration Report on pages 78 to 90.

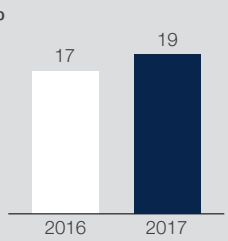



## RISK & INSURANCE

### Total revenue per employee*

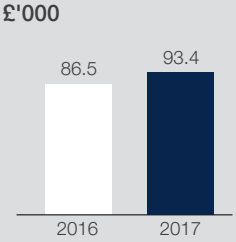



### Trading Margin**

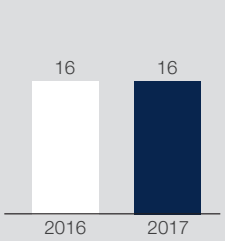



## EMPLOYEE BENEFITS

### Total revenue per employee*




### Trading Margin**




## HOW WE CALCULATE OUR KEY PERFORMANCE INDICATORS

* Total revenue (fees, commissions and investment income) per employee is calculated using the average number of employees for the year

** Trading margin represents trading profit, being total revenue less operating expenses, excluding exceptional items, divided by total revenue

*** Underlying results exclude exceptional items. See notes 1 and 3 of the Financial Statements on pages 118 and 122 for details of exceptional items

# GROUP EXECUTIVE COMMITTEE

Members of the Group Executive Committee and their roles as at the date of this report are shown below*.

DOMINIC BURKE◆
**Group Chief Executive**
Dominic joined the Group in 2000, as the CEO of JLT's UK Retail and Employee Benefits business, following JLT's acquisition of his business, Burke Ford. He was appointed a Director and Group COO of JLT in January 2005 and was appointed Group Chief Executive in December 2005.

MARK DRUMMOND BRADY◆
**Deputy Group CEO, CEO JLT Latin America and Chairman, JLT Canada**
Mark has been with JLT since 1987. In March 2011 he was appointed to the Board of JLT and in September 2014 became the Deputy Group CEO. In February 2017, Mark became CEO of JLT Latin America and Chairman of JLT Canada.

CHARLES ROZES◆
**Group Finance Director**
Charles joined JLT in September 2015 as Group Finance Director. He is also a Director of JLT India. Charles has held senior roles over a period of 25 years at Barclays, Bank of America, IBM and PricewaterhouseCoopers.

LUCY CLARKE
**Deputy CEO, JLT Europe**
Lucy has worked within the insurance industry for over 25 years in the London market. Having joined JLT in 2002, Lucy is responsible for delivering the JLT Specialty strategy working closely with Paul Knowles, CEO of JLT Specialty. As Deputy CEO, Lucy also leads JLT's Energy and Marine teams. Lucy will become Global CEO of JLT Specialty from 1 April 2018.

ADRIAN GIRLING
**Chairman, JLT Europe**
Adrian is Chairman of JLT Specialty Limited, along with JLT Ireland Limited. Adrian has been with JLT for 40 years, focusing predominantly on corporate insurance and working with larger UK and international companies. He was previously CEO of Jardine Lloyd Thompson UK Limited for some 16 years, and assumed additional responsibility for our European retail business in 2007 and our Canada business in 2009.

NICK HARRIS
**CEO, JLT Australia and New Zealand**
Nick joined JLT in London in 2008, later transferring to the Australian operation in 2010 to establish a People Risk business in the region. Nick became CEO of JLT Australia & New Zealand and joined the GEC in January 2018. He remains Chairman of Benefit Solutions Australia.

ROSS HOWARD
**Executive Chairman, JLT Re**
Ross joined JLT in November 2013 on completion of the acquisition of Towers Watson Re and joined the GEC in January 2014. Ross was formerly the global leader of Towers Watson's reinsurance business. He has over 35 years' experience in the industry.

KEITH JOHNSON
**Group General Counsel**
Keith was appointed as General Counsel for the JLT Group in August 2014 and joined the GEC at the same time. He was formerly a partner of Linklaters, with more than 20 years' corporate and management experience in the UK, Sweden and Asia.

PAUL KNOWLES
**CEO, JLT Europe**
Paul was appointed CEO of JLT Specialty and joined the GEC in January 2016. He has been with JLT for more than 20 years and has held a number of senior roles, including leading the Construction and Real Estate business and JLT Specialty's Major Corporate business.

MIKE METHLEY
**Group Chief Operating Officer**
Mike joined JLT in 1994. He has been a member of the GEC since 2010. He was CEO of JLT Latin America from 2013 to 2017 and Chairman of JLT Canada and JLT Insurance Management from 2014 to 2017. Mike was previously Managing Director of JLT Asia. Mike was appointed Group Chief Operating Officer in February 2017.

WILLIAM NABARRO
**Special Adviser to the Group Chief Executive**
William rejoined JLT in early 2016 and became a member of the GEC in May 2016. He previously worked for JLT between 2003 and 2010 in a range of senior roles, including as a plc Director and Executive Chairman of Employee Benefits. Prior to this he worked as a merchant banker with Hambros Bank and Lazards and he was also, for many years, a non-executive director of ICAP Plc, the wholesale money and securities group.

MIKE REYNOLDS
**Global CEO, JLT Re**
Mike joined JLT in November 2012 as Group Finance Director, before his appointment as Global CEO, JLT Re in September 2014. Mike has worked in a number of senior finance roles in the insurance industry including as CFO of ACE European Group Limited and Aon Benfield. From 28 February 2017 Mike also assumed responsibility for JLT Insurance Management.

MIKE RICE JR
**Executive Chairman, JLT Specialty USA**
Mike joined the Group in August 2014 as the CEO of US Specialty, responsible for overseeing JLT's US Specialty operations and expansion. He joined the GEC in May 2016. Prior to joining JLT, Mike held several senior positions within Aon over a 25 year career. With effect from 26 February 2018, Mike became Executive Chairman of US Specialty to focus on M&A and to continue to play a leading role in driving new business development.

DOMINIC SAMENGO-TURNER
**CEO, JLT Asia**
Dominic joined JLT and the GEC on 9 February 2015 and was appointed CEO of JLT Asia in May 2015. Dominic joined the Group from Willis, where he spent 20 years, most recently as Co-Chief Executive of Global Specialties and a director of Willis Limited.

BALA VISWANATHAN
**CEO, JLT UK & Ireland Employee Benefits, International Chairman of Employee Benefits**
Bala joined the JLT Group in 2006 as CEO of its operations in India. In April 2014 he was appointed Group COO based in London and joined the GEC at the same time. In October 2015 Bala became CEO of the UK & Ireland Employee Benefits business and in February 2017 he became International Chairman of Employee Benefits.

◆ Executive Director of Jardine Lloyd Thompson Group plc

* Following the changes to the Group business and management structure as described in the Chief Executive's Review on pages 14 and 15, the Group Executive Committee will be reconstituted from 1 April 2018. The members of the Committee will comprise: Dominic Burke, Mark Drummond Brady, Charles Rozes, Lucy Clarke, Ross Howard, Mike Methley, William Nabarro, Jim Pierce, Mike Reynolds and Bala Viswanathan.

# REVIEW OF OPERATIONS

Throughout 2017, our business activities were undertaken by two divisions, Risk & Insurance and Employee Benefits.

## RISK & INSURANCE

Our Risk & Insurance business comprises our global Specialty insurance and Reinsurance broking operations. Our specialist teams focus on those sectors where we have a distinctive level of knowledge and expertise. Working in partnership with clients to manage the key risks they face, we act as their intermediary with insurers and reinsurers, as well as providing related risk management, analytical, advisory and other services.

### ADVICE AND CONSULTANCY

Advising our clients on their insurance and reinsurance requirements, ensuring that they understand the likelihood and potential severity of the risks they face, the options available to mitigate these risks and the potential cost of doing so.

### SPECIALIST INSURANCE PRODUCTS

Providing our clients with access to certain exclusive insurance facilities, binders and other products, without taking any balance sheet underwriting risk.

### BROKERAGE AND PLACEMENT

Acting on our clients' behalf, using our specialist knowledge to negotiate and place insurance cover with insurers and reinsurers all over the world.

### OTHER SERVICES

Providing a range of related services to our clients and insurance market counterparties in areas such as captive management, claims management and administration, and capital raising and corporate insurance advice.

### RISK & INSURANCE 2017

Revenue
£1,065.8m
+11%
2016: £960.9m

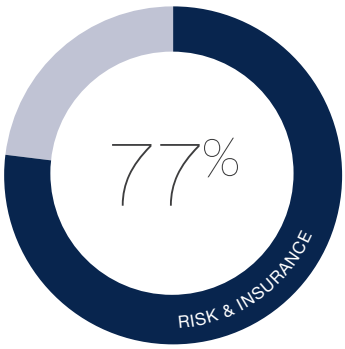
Underlying Trading Profit
£197.9m
+19%
2016: £166.6m

Trading Margin
19%
2016: 17%

Employees
5,818*
2016: 5,460*

** Excludes employees in shared service operations*

### CONTRIBUTION TO GROUP REVENUE 2017




### OUR BUSINESSES

## JLT EUROPE

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £399.3m | £393.8m | 1% |
| Underlying trading profit | £90.6m | £79.9m | 14% |
| Trading margin | 23% | 20% | |

JLT Europe provides insurance broking, risk management and claims services for clients across a wide range of business sectors. The division employs some 1,700 people primarily based in London, but with a growing European presence, all of which work in close collaboration with the broader JLT International Network, supplying them with industry expertise, advice and access to international markets.

### Review of Operations

JLT Europe's revenues increased to £399.3 million in 2017. After adjusting for the disposal of Thistle at the end of 2016, this represented a 7% increase, of which 4% was organic. Trading profit grew by 9% to £90.6 million and trading margin increased to 23% on an adjusted basis.

Strong client retention and new business drove good performances from most divisions, including Financial Lines, Northern Europe, and Credit & Political Risks. This was achieved despite challenging market conditions, particularly in the Energy and Marine industry sectors. The business made investments in 2017 to strengthen its presence in continental Europe, including the acquisition of Belgibo, the Belgian specialty broker, in August. These investments support the Group's Brexit planning, enabling JLT to manage the consequences of different Brexit scenarios. Through JLT's continued investment on the continent, European revenues are expected to grow over time across several specialty sectors.

### Principal lines of business

Life, Accident & Health, Aerospace (including General Aviation), Construction, Communications, Technology & Media, Cargo, Credit & Political Risks, Cyber, Energy, Financial & Professional, Fine Art, Jewellery & Specie, Food & Agribusiness, Sports & Entertainment, Marine, Mining, Power, Life Science, Renewables, Real Estate, Transportation, and Specialty Property & Casualty.

## JLT RE

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £217.1m | £195.6m | 11% |
| Underlying trading profit | £42.4m | £40.5m | 5% |
| Trading margin | 20% | 21% | |

JLT Re is one of the world's largest reinsurance brokers, with approximately 700 professionals across 35 locations in 18 countries, delivering world class risk analysis and risk transfer solutions.

### Review of Operations

JLT Re's revenues increased by 11% to £217.1 million, reflecting organic revenue growth of 4%. This performance was delivered despite the continued decline in pricing across most lines of reinsurance business and in most geographies during the year. This was underlined by the 1 January 2017 renewals, which saw risk-adjusted global property catastrophe pricing fall by almost 6%.

JLT Re's trading profit increased by 5% to £42.4 million. The trading margin was 20% in the year, reflecting JLT Re's continued investment in market leading talent across all of its geographies, increasing headcount by approximately 10% year-on-year.

Organic revenue growth in Europe and North America was offset in part by Asia Pacific, which experienced significant headwinds from the rating environment combined with reductions in facultative buying activity.

### Principal lines of business

All classes of treaty and facultative reinsurance and corporate finance advisory.

## JLT AUSTRALIA & NEW ZEALAND

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £125.7m | £117.7m | 7% |
| Underlying trading profit | £35.5m | £34.1m | 4% |
| Trading margin | 28% | 29% | |

JLT Australia & New Zealand is one of the leading insurance brokers in the region, combining international depth with local, specialist expertise to deliver a comprehensive range of insurance and risk solutions products and services to its clients. The division employs some 800 people across 20 offices.

### Review of Operations

JLT Australia & New Zealand saw revenues increase by 7% to £125.7 million. A number of important client wins were secured in 2017, the earnings from which it is anticipated will help this business return to organic revenue growth in 2018.

### Principal lines of business

Government, Construction, Energy, Entertainment & Leisure, Financial & Professional Services, Food & Agribusiness, Manufacturing, Mining, Power & Utilities, People Risks, Real Estate, Retail, SME & Consumer Products, Sport, Transport and Logistics, Professional Associations, Ecclesiastical, Aged Care, Risk Consulting and Valuations.

## JLT ASIA

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £100.3m | £90.3m | 11% |
| Underlying trading profit | £17.3m | £16.8m | 3% |
| Trading margin | 17% | 19% | |

JLT Asia provides insurance broking and risk management services in selected specialties across the region. The rich history of the business and in-depth local knowledge, together with the close working relationship it enjoys with Jardine Matheson, have enabled it to become one of the market leaders in Asia. The division employs around 1,000 people across 13 territories.

### Review of Operations

Asia had a good performance with an 11% increase in revenues to £100.3 million, with 6% organic revenue growth. Revenue performance was driven by our core specialties, particularly Financial Lines and Construction.

### Principal lines of business

Aviation, Capital Risks, Construction, Cyber, Energy, Entertainment & Leisure, Financial & Professional Services, Food & Agribusiness, Healthcare, Manufacturing, Marine, Real Estate, Retail, SME & Consumer Products, Transport and Logistics.

## JLT LATIN AMERICA

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £93.3m | £71.4m | 31% |
| Underlying trading profit | £26.1m | £21.1m | 24% |
| Trading margin | 28% | 30% | |

JLT Latin America provides insurance broking, reinsurance broking and affinity insurance distribution through subsidiary operations in Argentina, Brazil, Chile, Colombia and Peru. One of the largest brokers in the region, the business prides itself on its in-depth capabilities in its chosen specialties. It employs approximately 750 people across 22 offices in 5 countries.

### Review of Operations

Our Latin American operations grew revenues by 31% to £93.3 million, with impressive 19% organic revenue growth. Trading profit increased 24% to £26.1 million, a 17% increase at constant rates of exchange. We have been making significant investments in building our Specialty capabilities across this region and these results demonstrate the success of this strategy.

### Principal lines of business

Aviation, Construction, Energy & Power, Financial Lines, Marine, Industrial Property & Casualty, Public Sector, Affinity Marketing & Distribution, Reinsurance (Treaty & Facultative).

## JLT SPECIALTY USA

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £73.9m | £41.3m | 79% |
| Underlying trading profit | (£16.4m) | (£27.0m) | 39% |
| Trading margin | (22%) | (65%) | |

JLT Specialty USA serves leading US and global firms within its industry and product specialties. Its focus on complex risks in each of these specialty areas enables it to provide clients with risk management solutions that are tailored to their strategic and financial goals. The division employs 335 people in 17 locations across the US.

### Review of Operations

JLT Specialty USA made good progress in 2017, delivering revenue approaching USD 100 million in only its third full year of operation. Net investment losses reduced from £27.0 million to £16.4 million, delivering on the Group's previous guidance that these losses reached the 'high-water' mark at the end of 2016, and we remain fully focused on achieving profits as planned in 2019. On 27 January 2017, the Group completed the acquisition of Construction Risk Partners, one of the leading construction Risk and Surety specialty brokers in the US.

### Principal lines of business

Entertainment & Hospitality, Aerospace, Construction, Energy and Transaction Advisory, Real Estate, Technology, Financial Lines and Financial Institutions, Marine, Cyber, Environmental and Credit & Political.

# OTHER RISK & INSURANCE BUSINESSES

## JLT CANADA

JLT Canada provides insurance broking, risk management, and claims services across Canada. In 2017 it continued to make progress, significantly increasing market presence and building a stronger reputation. The business employs approximately 180 people across 7 locations.

### Review of Operations

JLT Canada reported revenue of £22.5 million in 2017, an increase of 17% on 2016. The business generated a trading profit of £0.3 million, an improvement over 2016. New business growth was significant over all Specialty lines, particularly in Construction.

## JLT MIDDLE EAST & AFRICA (JLT MEA)

JLT MEA offers insurance broking and risk management expertise in a region increasingly seeking more specialty risk and advisory services. The business employs approximately 200 people in the UAE, Bahrain, Turkey and South Africa across 8 offices. In addition to these services, our DIFC operation also acts as a hub for inward business to the region's insurance and reinsurance markets from across the Group's global network for Specialty lines, including Marine, Energy, Construction, Credit & Political Risks and Financial Lines.

### Review of Operations

JLT MEA reported revenue of £23.2 million in 2017, representing growth of 9%, of which 4% was organic. The business grew its trading profit by 91% from £1.4 million to £2.7 million, driven by revenue growth and cost management measures.

## JLT INSURANCE MANAGEMENT

JLT Insurance Management provides leading corporations with captive management and consulting services in Barbados, Bermuda, Guernsey, Singapore and the US. The business employs approximately 50 people across these locations.

### Review of Operations

During the year insurance and reinsurance market conditions continued to reduce demand for new captives in certain regions. However, the business delivered revenues of £10.5 million, a 2% increase on 2016, or a decrease of 2% at constant rates of exchange. Trading profit decreased to a £0.6 million loss from a profit of £0.3 million in 2016. Through the provision of captive management and consultancy services, JLT Insurance Management supports some of JLT's largest global clients and, as such, plays a key role in programmes that deliver revenue to the wider Group.

# EMPLOYEE BENEFITS

Our Employee Benefits business offers a comprehensive range of employee benefits advice and services to companies, pension trustees and individuals.

Our specialist teams act as advisers, intermediaries and service providers in the areas of pensions consultancy and administration, employee benefits and healthcare, life insurance and wealth management.

## OUR GLOBAL EMPLOYEE BENEFITS BUSINESSES PROVIDE SERVICES INCLUDING:

### RETIREMENT SOLUTIONS

Providing a range of actuarial and administration services for pension trustees, corporate sponsors and scheme members. Services include supporting fully outsourced scheme administration, payroll, communications, documentation and technical services. We also offer integrated risk management services to UK pensions trustees and corporate sponsors, including actuarial, investment and risk transfer consultancy, scheme design, governance and independent trustee services.

### WEALTH AND INVESTMENT MANAGEMENT

Offering advice and support to individuals in respect of their financial planning, including at-retirement services, tax planning and life protection requirements. Providing discretionary management of assets for both high net worth individuals and company pension schemes, in addition to asset hosting services.

### BENEFITS CONSULTING

Providing advice on employee health and benefit programmes, medical claims administration, occupational health and rehabilitation services and placement of health and risk protection policies.

We also provide auto-enrolment, flexible benefits, voluntary benefits and total reward statements through our market leading platform, Benpal®.

For defined contribution pension schemes, we offer scheme design management services, including advice on suitable insurance providers.

### TECHNOLOGY SOLUTIONS

Provider of one of the most widely used UK pensions administration and fund accounting software platforms to corporate pension schemes.

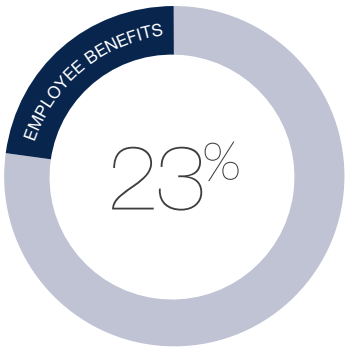
Providing integrated web solutions to enable scheme members to access information and services, facilitating self-service benefits management.

### EMPLOYEE BENEFITS 2017

| Revenue | Underlying Trading Profit |
|---|---|
| £320.2m | £50.1m |
| +7% | +1% |
| 2016: £300.4m | 2016: £49.5m |
| **Trading Margin** | **Employees** |
| 16% | 2,621* |
| 2016: 16% | 2016: 2,656* |

** Excludes employees in shared service operations*

### CONTRIBUTION TO GROUP REVENUE 2017




### OUR BUSINESSES

## UK & IRELAND

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £172.0m | £160.0m | 7% |
| Underlying trading profit | £17.2m | £12.3m | 40% |
| Trading margin | 10% | 8% | |

JLT's Employee Benefits business is one of the largest employee benefit and pension consultants in the UK, offering a comprehensive range of employee benefits advice and services to companies, pension trustees and individuals. The business employs some 1,400 people across 16 locations in the UK and Ireland.

**Review of Operations**

In 2017 the UK and Ireland Employee Benefits business grew revenues to £172.0 million, with an impressive organic revenue growth rate of 8%. Trading profit grew to £17.2 million, an increase of 40% over 2016.

In December, Retirement Solutions won its most significant account to date, providing administration, actuarial and documentation services to a major UK financial services company. That win further cements JLT's position as the UK's largest provider of pension administration services to the private sector.

Trading margins in the business improved by 200 basis points to 10%. We now expect to achieve our 15% trading margin target for this business in 2019, rather than in 2018, with the benefit of the Global Transformation Programme. The Group anticipates that the business will make further progress in 2018 towards this target, with the majority of the progress being made in 2019.

**Principal lines of business**

Pension Solutions, Benefits Consulting, Wealth & Investment Management and Technology Solutions.

## ASIA

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £89.6m | £87.3m | 3% |
| Underlying trading profit | £25.1m | £27.2m | (8%) |
| Trading margin | 28% | 31% | |

The Employee Benefits business in Asia primarily focuses on helping companies develop employee benefit programmes and wealth protection for high net worth individuals. The division employs around 500 people across 13 territories.

**Review of Operations**

Private Client Services, our life assurance broking business, experienced a difficult first half to the year. However, this was followed by a positive performance in the second half of the year. The business is now expanding into new geographies, including mainland China.

**Principal lines of business**

High Net Worth Life Assurance, Healthcare Insurance Programmes and Risk Management Services including Wellness Consulting and Prevention, Flexible Benefit Consulting, Platform Design and Implementation.

## AUSTRALIA & NEW ZEALAND

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £30.1m | £27.5m | 9% |
| Underlying trading profit | £6.3m | £5.5m | 15% |
| Trading margin | 21% | 20% | |

The Employee Benefits business in Australia and New Zealand provides consultancy and administration services to corporate and private clients across a wide range of company-paid and voluntary employee benefits programmes. The business is also one of the region's leading workplace injury risk consultancies and rehabilitation providers, having acquired Recovre and Workwise Occupational Health in Australia and Alpha in New Zealand over the past two years. The division employs some 250 people across 30 locations.

**Review of Operations**

Local factors affected our Employee Benefits operations in Australia in 2017 where a slower rate of revenue growth was a result of structural changes in the workers compensation market. However, we anticipate a better performance in 2018, building on the trading profit growth in 2017.

**Principal lines of business**

Corporate Health Insurance, Corporate Life & Group Income Protection, Personal Accident Insurance, Workers Compensation, Software Solutions, Occupational Rehabilitation, Workplace Health Safety Consulting.

## LATIN AMERICA

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total revenue | £23.5m | £21.7m | 8% |
| Underlying trading profit | £1.2m | £3.7m | (69%) |
| Trading margin | 5% | 17% | |

In Latin America, our Employee Benefits business focuses on providing employee benefits programmes, often built around a healthcare insurance offering. This is a rapidly developing market where we see the opportunity to expand our capabilities through health management and consulting. The division currently employs some 350 people across our office network.

**Review of Operations**

In Brazil, corporate payrolls fell as the economy remained weak, leading to slower headline revenue growth and a year-on-year reduction in trading profit in the region. However, Latin America Employee Benefits has been successful in winning significant volumes of new business and we look forward to growth rates returning to former levels in that business as economies in the region recover.

**Principal lines of business**

Healthcare Insurance Programmes, including Life and Dental, and Risk Management Services including Wellness Consulting and Prevention.

# OTHER EMPLOYEE BENEFITS BUSINESSES

## CANADA

Our Employee Benefits business provides consultancy, technology and administration services to clients across Canada.

**Review of Operations**

Our Canada Employee Benefits business delivered revenues of £2.1 million, an increase of 8% over 2016. The business reported a trading profit of £0.3 million, compared to £0.6 million reported in 2016. The growth strategy will focus on investments to improve branding, software and the addition of new personnel. We remain optimistic about the growth potential of the business and the opportunities for national expansion.

## MIDDLE EAST & AFRICA

In South Africa, we offer healthcare consultancy to corporate and private clients as well as retirement fund consultancy services. We employ approximately 65 people in our South Africa Employee Benefits business throughout the country. Our Employee Benefits business in the balance of the region is beginning to grow steadily from its recent starting point.

**Review of Operations**

Our South African Employee Benefits business continues to demonstrate strong revenue growth with reported revenues of £2.9 million in 2017, representing growth of 50%, or 29% growth at constant rates of exchange. The strong revenue growth was achieved through further investment in the business which resulted in a reduction in the trading margin to 4% at constant rates of exchange.

# ASSOCIATES

The Group's income from its Associates in 2017 increased to £2.1 million, compared to £1.0 million in 2016.

| | 2017 | 2016 | % Change |
|---|---|---|---|
| Total underlying contribution to JLT after tax | £2.1m | £1.0m | 120% |

| Associate holding at 31 December 2017 | | |
|---|---|---|
| GrECo | Central & Eastern Europe/CIS | 20% |
| MAG-JLT | Italy | 25% |
| March-JLT | Spain | 25% |
| JLT Sterling* | Mexico | 36% |
| JLT Independent | India | 49% |

## GRECO JLT GROUP (CEE/CIS)

JLT has a 20% shareholding in the GrECo JLT Group, a leading specialist insurance broker in Central & Eastern Europe, the Balkans and the CIS regions. With its headquarters in Vienna, GrECo JLT has 52 offices with 760 employees in 16 countries including the Czech Republic, Hungary, Poland and Russia.

Principal specialist areas are Aviation, Construction & Real Estate, Employee Benefits, Energy, Power & Mining, Marine & Marine Cargo, Communications, Technology & Media, Financial Institutions and Hospital & Churches.

MAG ▪ JLT

## MAG-JLT (ITALY)

JLT has a 25% shareholding in MAG-JLT, a leading Specialty broker in Italy with 200 employees in Milan, Naples, Rome and offices in a further 6 cities around the country, as well as a Lloyd's broking arm in London.

Key business areas are Corporate (Risk Management & Middle Market), Aviation, Marine (Hull & Machinery, Liability, P&I, Cargo), High Net Worth (Yacht, Fine Art, Contingency) and Affinity (Employee Benefits, Motor).

MARCH JLT

## MARCH-JLT (SPAIN)

JLT has a 25% shareholding in March-JLT, which is the 4th largest commercial insurance broker in Spain. The joint venture partner is Banca March, Spain's leading privately owned financial institution. Its core business is corporate-focused, with Specialty capabilities including Construction, Tourism, Marine, Financial Risks and Employee Benefits. The business employs 130 staff, with offices in Barcelona, Bilbao, the Canary Islands, Madrid, Mallorca, Seville and Valencia.

JLT Sterling

## JLT STERLING (MEXICO)*

Sterling Re Intermediario de Reaseguro SA de CV, which trades as JLT Sterling, is an associate company in which JLT has a 36% shareholding, with the balance of shares being held by Lorant MMS, a leading independent retail insurance broker, based in Mexico City. JLT Sterling provides specialist wholesale and reinsurance services in the Aviation, Casualty, Construction, Energy, Marine, Marine Cargo, Property and Specie sectors.

*The Group has agreed the sale of its holding in JLT Sterling, which is expected to complete in early 2018.

## JLT INDEPENDENT (INDIA)

JLT has a 49% shareholding in JLT Independent. Our joint venture partner is Sunidhi Group, a leading Indian Financial Services Group. JLT Independent has 280 employees with offices in Mumbai, New Delhi, Chennai, Bengaluru, Hyderabad, Gurgaon and Pune. Key business areas include Energy, Construction, Marine, Aviation, Reinsurance, Employee Benefits, Credit & Political Risks and Liability.

# FINANCE DIRECTOR'S REVIEW

Charles Rozes

> “I am pleased to present the 2017 Finance Director’s Review where our results were driven by strong organic revenue growth.”

## INCOME STATEMENT

The Group’s total revenue for the year was £1.39 billion. Underlying profit before tax was £191.5 million, with reported profit before tax of £181.6 million (after exceptional items) and reported profit after tax and non-controlling interests of £118.4 million. Diluted earnings per share (EPS) was 54.7p, up from 37.8p in 2016.

Underlying profit before tax grew by 11% on 2016 and was underpinned by the overall strong trading performance of the business. The 2017 results have been favourably impacted by changes in foreign exchange rates although the benefit was significantly reduced from 2016. However, sterling has strengthened significantly since December 2017 and should sterling remain at its highest point in the year to date, the Group anticipates that this would reduce underlying profit before tax by approximately £10 million.

### Revenue

Compared with 2016, JLT delivered a 10% increase in total revenue, 6% at constant rates of exchange (CRE), with 5% organic growth.

Our Risk & Insurance businesses, which in 2017 represented approximately 77% of the Group’s revenue, grew revenues to £1.07 billion, an increase of 11%, or 5% on an organic basis.

Our Employee Benefits businesses grew revenues by 7%, or 4% on an organic basis. This was principally due to 8% organic growth in our UK & Ireland business.

Organic revenue of our international Employee Benefits businesses remained at similar levels to 2016 reflecting challenging macroeconomic and trading conditions.

### Operating costs

Total underlying operating costs (excluding exceptional items) increased by £104 million, or 10%, to £1.17 billion. Of the increase, £48 million arose from changes in foreign exchange rates. The mix of the cost base remained broadly unchanged with staff and premises costs being the major individual expense items.

Head office costs rose to £34.3 million in the year, in line with previous guidance, and are expected to remain at a similar level in 2018, subject to changes in provisions. The increase in the year related to rising premises costs, higher UK employment taxes and normalised self-insurance costs.

### Trading profit

The Group’s underlying trading profit increased by 10% to £213.7 million and the trading margin was maintained at 15.4%.

### Associates

The Group’s income from its Associates increased from £1.0 million to £2.1 million.

### Finance costs

Net finance costs increased by £2.2 million to £24.3 million as we continued to invest across the business, including the acquisition of Construction Risk Partners (CRP) in the US and Belgibo in Belgium.

### Underlying profit before tax

The Group’s underlying profit before tax increased by 11% to £191.5 million.

### Exceptional costs

In 2017, net exceptional items were £9.9 million (2016: £37.7 million), primarily driven by £9.1 million related to a settlement of litigation, £2.6 million of acquisition and integration costs mainly in respect of CRP and Belgibo, offset by £1.8 million of gains on the disposals of the Group's Mexican Associate business and Expacare, the small UK expatriate insurance business.

## UNDERLYING OPERATING COST RATIO

| £m | 2017 | | 2016 | | Variance |
|---|---|---|---|---|---|
| **Total revenue** | **1,386** | **100%** | **1,261** | **100%** | 125 |
| Operating costs: | | | | | |
| Staff costs | 860 | 62.0% | 785 | 62.3% | 75 |
| Premises | 71 | 5.1% | 64 | 5.1% | 7 |
| Depreciation & Amortisation | 33 | 2.4% | 34 | 2.7% | (1) |
| Other operating costs | 208 | 15.1% | 185 | 14.5% | 23 |
| | **1,172** | **84.6%** | **1,068** | **84.6%** | **104** |

**Tax**

The tax charge for the year was £52.9 million, representing an effective tax rate of 29.5% (2016: 32.9%) excluding share of Associates. The underlying tax expense was £53.3 million, representing an effective tax rate of 28.2% (2016: 30.5%). The year-on-year decrease in the underlying tax rate was driven by the change in the geographical mix of profit and the different tax rates across those geographies.

**Profit after tax and non-controlling interests**

Profit after tax and non-controlling interests was £118.4 million (2016: £81.5 million). Diluted earnings per share was 54.7p on a reported basis (2016: 37.8p).

## BALANCE SHEET

The net assets of the Group increased to £398 million from £351 million. The key movements were:

- an increase in goodwill of £35 million mainly due to the acquisition of 50.1% of CRP and the entire shareholding of Belgibo, partly offset by the impact of foreign exchange. The Group completed three acquisitions for a total consideration of £61.2 million;
- a net increase in working capital of £33 million, which is £10 million lower than the same period in 2016, despite higher overall revenues and no significant shift in seasonality;
- a decrease of £29 million in the net pension liability primarily as a result of the Group's annual contributions and returns on scheme assets. The associated deferred tax asset was recognised accordingly; and
- the derivatives position decreased by £30 million, mainly due to mark to market adjustments. The associated deferred tax asset was recognised accordingly.

Net debt, defined as own funds less total borrowings net of transaction costs, was £506 million (2016: £496 million). The Group's principal measure of leverage, the Net Debt to EBITDA ratio, was 1.8:1 (2016: 2.1:1) or 1.6:1 (2016: 1.6:1) on a bank covenant basis.

At 31 December 2017, the Group had committed long-term unsecured revolving credit facilities of £500 million and drawn private placement loan notes equivalent to £420 million, resulting in total debt facilities equivalent to £920 million with maturities between 2020 and 2029. A long term private placement loan note for USD 42 million, issued in 2010, was repaid in September 2017. Gross borrowings were £710 million, which includes £691 million of borrowings under the Group's committed facilities, leaving unutilised committed facilities headroom of £229 million.

The Group continues to be well funded with an appropriate mix of short and long-term debt, with a range of maturities that extend to 2029.

## OPERATIONAL CASH FLOWS

| £m | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| EBITDA* | 279 | 238 | 244 | 240 | 219 |
| Net interest | (14) | (15) | (15) | (15) | (9) |
| Working capital | (33) | (43) | 1 | (55) | (25) |
| Annual capex | (57) | (39) | (60) | (49) | (72) |
| **Operational free cash flow** | **175** | **141** | **170** | **121** | **113** |
| Dividends paid | (71) | (66) | (63) | (60) | (58) |
| Tax paid | (49) | (46) | (37) | (37) | (41) |
| Net shares acquired | (17) | (18) | (26) | (32) | (21) |
| Other | (32) | (33) | (30) | (21) | (22) |
| **Net cash inflow/(outflow) excl acq/disp** | **6** | **(22)** | **14** | **(29)** | **(29)** |
| Acquisitions/disposals | (55) | 7 | 54 | (68) | (177) |
| **Net cash (outflow)/inflow** | **(49)** | **(15)** | **68** | **(97)** | **(206)** |

* EBITDA is represented by underlying trading profit plus depreciation and amortisation, including amortisation of share options; income from associates; less settled exceptional costs excluding net gains on disposals.

The Group primarily monitors operational cash flows, which report cash and net debt movements but exclude fiduciary funds; statutory cash flows include movements in fiduciary funds.

In 2017, the Group generated £279 million of EBITDA, reflecting an increase in underlying profit and a reduction in exceptional items.

Operational free cash flows increased to £175 million, reflecting the EBITDA growth, offset by an increase in annual capex due to the fit-out of additional space in the Group's London headquarters, as well as improvements to its IT infrastructure. Acquisition capex was primarily driven by the acquisitions of CRP and Belgibo. This resulted in an overall net cash outflow of £49 million in 2017.

## DIVIDENDS

The Board has recommended a final dividend in respect of 2017 of 21.8p per share. Together with the interim dividend of 12.2p per share, this brings the total dividend to 34.0p per share, an increase of 5.6%. This represents dividend cover of 1.7 times, based on underlying diluted earnings per share, compared to 1.6 times in 2016.

## IMPACT OF NEW ACCOUNTING STANDARDS

Details regarding the Group's current assessment of the impact of new accounting standards, IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers), can be found in the Significant Accounting Policies of the financial statements.

IFRS 9 is anticipated to have an immaterial impact on the Group's profit and loss account mainly due to our conservative bad debt provisioning policy and strong credit control.

JLT has historically recognised inception date as the primary trigger for recognising revenue, a practice that has largely been upheld under the new standard. As a consequence the restatement of 2017 underlying PBT on adoption of IFRS 15 will be limited to an overall rephasing of approximately £4.5 million into subsequent years. Most of this relates to JLT's UK Employee Benefits business due to the longer term nature of its contracts, and a further amount to JLT Re for similar reasons. The residual balance is split across the remainder of JLT's businesses.

## BASIS OF PRESENTATION

The Group's 2017 consolidated financial statements include an income statement, statement of comprehensive income, balance sheet, statement of changes in equity and a statement of cash flows. These statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Statutory accounts of individual Group companies are prepared, as required, in accordance with applicable local accounting standards.

The balance sheet of the Company, Jardine Lloyd Thompson Group plc, on page 171, has been prepared in accordance with generally accepted accounting practice in the UK.

## GLOBAL TRANSFORMATION PROGRAMME

| £m | Cost to achieve | Incremental Benefit | Annualised Benefit |
|---|---|---|---|
| 2018 | 33 | 16 | 16 |
| 2019 | 12 | 19 | 35 |
| 2020 | - | 5 | 40 |

As stated in the Chief Executive's review, implementation of the two year Group-wide Global Transformation Programme will commence in 2018. It is projected to deliver a fully sustainable operating cost reduction of £40 million by the end of the 2020 financial year, secured at a one-off cost estimated at £45 million, which will be recorded as exceptional items in the year they are incurred. The benefits will register progressively in 2018, 2019 and 2020.

Including the Global Transformation Programme, the Group anticipates a shift in the phasing of its profits in 2018 to approximately 49% in the first half, and 51% in the second half of the financial year.

## PRINCIPAL FINANCIAL RISKS

The Group has identified four principal financial risks: capital and liquidity risk, foreign currency risk, counterparty risk and the defined benefit pension scheme risk.

### 1) Capital and Liquidity Risk

The Group's objectives when managing capital are to safeguard its ability to continue to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to ensure an optimal cost of capital. In order to achieve these objectives, the Group may adjust, for example, the amount of dividends paid to shareholders, return capital by a share buy-back, issue new shares or sell assets to reduce debt.

The Group manages its balance sheet through monthly reviews, management controls and financial reporting.

In order to manage liquidity risk, the Group maintains committed, long-term credit facilities to ensure that it is well positioned to meet seasonal capital requirements and to support the strategic growth of the business. There are no restrictions on the use of these facilities in the normal course of business. At 31 December 2017 the facility headroom was £229 million.

The insurance and reinsurance broking operations within the Group operate in a number of jurisdictions where local regulation requires a minimum level of capital to be maintained. The total regulatory capital to be held by the Group is not considered significant in the context of the total available capital.

The total capital of the Group at 31 December 2017 and 2016 was as follows:

| £m | 2017 | 2016 |
|---|---|---|
| Total own funds | (204.1) | (191.6) |
| Borrowings | 710.1 | 687.8 |
| Net debt | 506.0 | 496.2 |
| Total equity | 397.7 | 350.9 |
| Total capital | **903.7** | **847.1** |

### 2) Foreign Currency Risk

The Group has transactional and translational foreign currency exposures. The transactional exposure arises primarily in the London Market businesses, which have a sterling cost base but which have a significant proportion of US dollar denominated revenues (approximately USD 350 million in 2017).

The Group continues to operate a US dollar hedging programme to reduce the volatility caused by exchange rate movements, by entering into forward foreign exchange contracts. As at 14 February 2018, 87% of these anticipated dollar revenues for 2018 earned in the UK (approximately USD 360 million) are hedged at an average rate of USD 1.39. For 2019, 65% of expected dollar revenues are hedged at an average rate of USD 1.33, for 2020 63% are hedged at an average rate of USD 1.34 and 10% are hedged for 2021 at an average rate of USD 1.46. Other hedging programmes are operated for other transactional currency exposures, primarily in respect of the Euro, Indian rupee and Canadian dollar.

The Group has significant investments in overseas operations. Movements in exchange rates between balance sheet dates will affect the sterling value of the Group's consolidated balance sheet.

The currency profile of the Group's borrowings is managed to mitigate balance sheet translation exposures where practical and cost effective.

In addition to the transactional foreign exchange exposure, JLT is also exposed to translational foreign exchange movements which are not hedged. Given the relative size and profitability of the Group's Australian business, this is the most material such exposure.

**3) Counterparty Risk**

The Group's gross exposure to counterparty risk at 31 December 2017 is £1.64 billion, representing own cash, fiduciary funds, investments and deposits, derivative assets, and trade receivables. The Group maintains a counterparty policy based on credit analysis, market data and published credit ratings to manage the concentration of funds and its exposure to individual counterparties. Deposit limits are assigned to each counterparty appropriate to its credit rating and overall financial profile.

The Group manages its own cash and invested fiduciary funds in the form of deposits with a number of banks, AA money market funds, and other secure short-term money market instruments.

The Group's counterparty approval criteria include a requirement that financial institutions maintain a minimum long term investment grade rating, except where this is not possible or practical due to local operating or regulatory requirements.

The Group's credit criteria also include reference to credit default swap spreads and capital ratios. All exposures to individual counterparties are subject to a formal credit limit to control concentrations of credit exposure and limit the impact of default risk. Counterparty limits, ratings and credit default spread rates, together with utilisation levels, are reviewed regularly.

The respective credit quality by rating of each class of financial asset is included within the notes to these accounts.

**4) Defined Benefit Pension Scheme Risk**

The Group has exposure to movements in the balance sheet, income statement and statement of comprehensive income as a consequence of changes in the valuation of retirement benefit assets and liabilities and the impact of such changes on the Group's defined benefit pension scheme positions.

The Group seeks to manage this exposure through regular monitoring and reporting of scheme asset performance and liability positions, suitable scheme investment and risk mitigation strategies and appropriate funding arrangements based on periodic actuarial valuations.

Assets held in the UK defined benefit pension scheme include annuity buy-in contracts which secure the future benefits relating to approximately 70% of pensioner liabilities and which reduce exposure to ongoing longevity and asset risk arising from that portion of the pension scheme liabilities.

The pension trustees are undertaking a revaluation of the UK defined benefit pension scheme position as at 31 March 2017. A revised deficit recovery schedule will be agreed in 2018 as a part of the scheduled triennial revaluation process.

## PERFORMANCE SUMMARY

| | Total Revenue | | | | | Trading Margin | | | Trading Profit | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £m | 2017 | Growth | CRE | Organic | 2016 | 2017 | CRE | 2016 | 2017 | CRE | 2016 |
| **Risk & Insurance** | | | | | | | | | | | |
| JLT Europe | 399.3 | 1% | (1%) | 3% | 393.8 | 23% | 22% | 20% | 90.6 | 87.2 | 79.9 |
| JLT Re | 217.1 | 11% | 7% | 4% | 195.6 | 20% | 21% | 21% | 42.4 | 43.5 | 40.5 |
| JLT Australia & New Zealand | 125.7 | 7% | (1%) | (2%) | 117.7 | 28% | 28% | 29% | 35.5 | 32.5 | 34.1 |
| JLT Asia | 100.3 | 11% | 6% | 6% | 90.3 | 17% | 18% | 19% | 17.3 | 17.3 | 16.8 |
| JLT Latin America | 93.3 | 31% | 20% | 19% | 71.4 | 28% | 29% | 30% | 26.1 | 24.7 | 21.1 |
| JLT Middle East & Africa | 23.2 | 9% | 4% | 4% | 21.3 | 11% | 11% | 7% | 2.7 | 2.4 | 1.4 |
| JLT Specialty USA | 73.9 | 79% | 71% | 28% | 41.3 | (22%) | (21%) | (65%) | (16.4) | (15.1) | (27.0) |
| JLT Canada | 22.5 | 17% | 9% | 9% | 19.2 | 1% | 1% | (2%) | 0.3 | 0.3 | (0.5) |
| JLT Insurance Management | 10.5 | 2% | (2%) | (2%) | 10.3 | (6%) | (6%) | 3% | (0.6) | (0.6) | 0.3 |
| | **1,065.8** | **11%** | **6%** | **5%** | **960.9** | **19%** | **19%** | **17%** | **197.9** | **192.2** | **166.6** |
| **Employee Benefits** | | | | | | | | | | | |
| UK & Ireland | 172.0 | 7% | 7% | 8% | 160.0 | 10% | 10% | 8% | 17.2 | 16.9 | 12.3 |
| Asia | 89.6 | 3% | (2%) | (1%) | 87.3 | 28% | 29% | 31% | 25.1 | 25.0 | 27.2 |
| Australia & New Zealand | 30.1 | 9% | 1% | 1% | 27.5 | 21% | 21% | 20% | 6.3 | 5.8 | 5.5 |
| Latin America | 23.5 | 8% | (1%) | (1%) | 21.7 | 5% | 7% | 17% | 1.2 | 1.5 | 3.7 |
| Middle East & Africa | 2.9 | 50% | 29% | 28% | 1.9 | (1%) | 4% | 10% | - | 0.1 | 0.2 |
| Canada | 2.1 | 8% | - | (5%) | 2.0 | 14% | 14% | 31% | 0.3 | 0.3 | 0.6 |
| | **320.2** | **7%** | **4%** | **4%** | **300.4** | **16%** | **16%** | **16%** | **50.1** | **49.6** | **49.5** |
| **Head Office** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(34.3)** | **(33.7)** | **(22.4)** |
| **Total** | **1,386.0** | **10%** | **6%** | **5%** | **1,261.3** | **15.4%** | **15.6%** | **15.4%** | **213.7** | **208.1** | **193.7** |

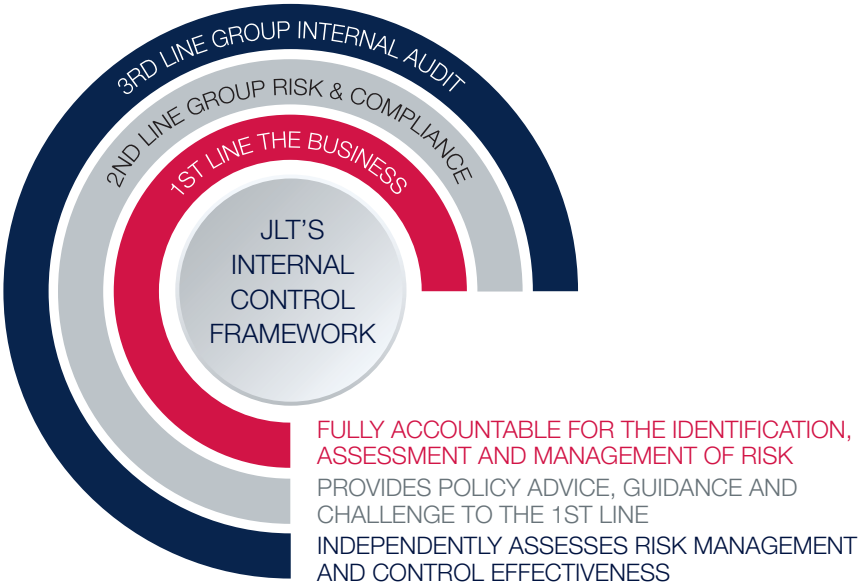
| | 2017 | 2016 |
|---|---|---|
| **Underlying trading profit** | **213.7** | 193.7 |
| Underlying share of associates | 2.1 | 1.0 |
| Net finance costs | (24.3) | (22.1) |
| **Underlying profit before taxation** | **191.5** | 172.6 |
| Exceptional items | (9.9) | (37.7) |
| **Profit before taxation** | **181.6** | 134.9 |
| Underlying tax expense | (53.3) | (52.3) |
| Tax on exceptional items | 0.4 | 8.3 |
| Underlying non-controlling interests | (11.5) | (9.4) |
| Non-controlling interests on exceptional items | 1.2 | - |
| **Profit after taxation and non-controlling interests** | **118.4** | 81.5 |
| **Underlying profit after taxation and non-controlling interests** | **126.7** | 110.9 |
| **Diluted earnings per share** | **54.7p** | 37.8p |
| **Underlying diluted earnings per share** | **58.5p** | 51.4p |
| **Total dividend per share** | **34.0p** | 32.2p |

Notes:
- Organic growth is based on total revenue excluding the effect of currency, acquisitions, disposals and investment income.
- Total revenue comprises fees, commissions and investment income.
- CRE: Constant rates of exchange.
- Underlying results exclude exceptional items.
- See notes 1 and 3 of the financial statements on pages 118 and 122 for details of exceptional items.

**Charles Rozes**
Finance Director
28 February 2018

# RISK MANAGEMENT REPORT

As a global company, JLT faces a range of risks, any of which has the potential to impact on the achievement of our strategic business objectives and our reputation, as well as providing opportunity in the right circumstances.




## JLT'S INTERNAL CONTROL FRAMEWORK

**JLT Three Lines of Defence**

The Group operates a 'Three Lines of Defence' (3LOD) model as a core component of its governance arrangements, as shown above.

The current 3LOD model has been in place and operating for five years across the Group, and has been subject to iterative enhancements during that time. JLT completed an internal review of its 3LOD model in the UK businesses during 2016, building upon the solid governance framework already in place. JLT successfully implemented the recommendations of the review during 2017, which were focused on delivering:

- enhanced accountability and ownership of risk within the businesses, ensuring that the right people with the right skills are available to the businesses and close to decision making processes;
- clear, skilled roles for the control functions in the second line of defence, providing specialist advice and strong oversight to the businesses internationally; and
- an enhanced focus on risk management disciplines across the business.

In early 2017, JLT also completed a review of its international 3LOD model, which resulted in a number of enhancements being rolled out during the year, including:

- designating all international local risk and compliance teams as 1st Line of Defence ('1LOD'), clarifying their role and responsibilities, and ensuring a clear delineation from the 2nd Line of Defence ('2LOD'); and
- strengthening the 2LOD support and oversight of international operations.

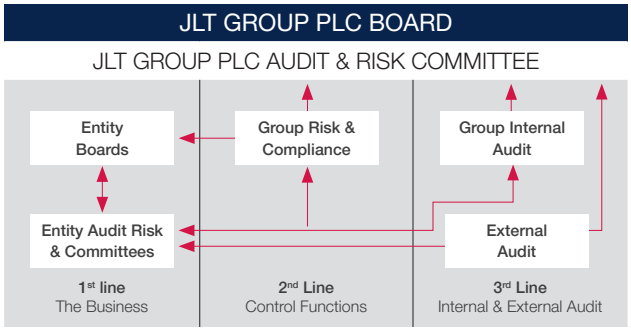
JLT regularly reviews its governance arrangements through Board and Audit & Risk Committee (ARC) effectiveness reviews which are carried out on an annual basis. More detail can be found in the Corporate Governance and Audit & Risk Committee Reports on pages 57 to 74.

## AUDIT & RISK COMMITTEES

JLT has implemented a consistent governance model across the Group, run through local Boards and business level ARCs ('Entity ARCs'), which are operated as committees of each Board and are overseen by them. There are over 20 Entity ARCs, most chaired by a Non-Executive Director who, in most instances, is also independent of the JLT Group. The relevant management team (including its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and others as required) attend Entity ARC meetings to present their view of the risk and compliance environments across their businesses. Group Risk & Compliance and Group Internal Audit also attend these meetings and provide independent reporting and challenge to ensure that there is adequate discussion of relevant issues, including key risks and mitigating controls.

During 2017, JLT introduced a series of subject matter briefing sessions for all Non-Executive Directors across the Group. These sessions focused on the General Data Protection Regulation ('GDPR') and financial controls.

The following diagram shows the interaction of 3LOD within the governance model. The membership, terms of reference and key areas of focus of the Group Audit & Risk Committee are outlined in the Audit & Risk Committee Report on pages 67 to 74.




## INTERNAL CONTROLS

Underpinning JLT's governance is a suite of policies, which are authored and managed by the relevant Group function, signed off by the relevant senior Group executive and accessible to employees via the Group's intranet Policy Portal. There is also a revolving mandatory programme of e-learning modules for employees to take throughout the year, reinforcing the policy messages. Adherence to the Group's policies is monitored by the functions who own them and by Group Internal Audit, who refer to them during the course of their audits, which are reported to the local Entity ARCs and to the Group ARC. In parallel, the Group's Compliance team provides assurance that local regulation is adhered to and that clients' interests are at the heart of everything we do.

**Key JLT policies include:**

| | |
|---|---|
| Anti-bribery and corruption | Anti-money laundering and fraud |
| Gifts and entertainment | Conflicts of interest |
| Market abuse and insider dealing | Complaints |
| HR related policies | IT Security |
| Data protection | Sanctions |

Each business maintains an Operating Procedures Manual, which contains all key procedures for the business to conduct itself in a compliant and sustainable manner.

## RISK MANAGEMENT FRAMEWORK

JLT's risk management framework was refreshed and strengthened during 2016, referencing several recognised standards such as the Institute of Risk Management and ISO 31000. The revised framework was rolled out during 2017. It is based on seven risk categories (IT, Finance, Operations, Strategic, People, Legal & Compliance and Service & Markets), each of which has a Group level sponsor whose daily role is aligned to the subject matter. The Group specialists are engaged in defining the Group level risk profile, which is used in deriving the Principal Risks shown on pages 43 to 45 and in arriving at the Viability Statement on pages 95 and 96.

In addition to the above, the businesses maintain their own risk registers and risk reporting, which are produced by each executive team and regularly reviewed by their local Entity ARC. The Entity ARCs consider the key risks and any mitigating action that can be taken to keep the identified risks within the risk appetite of the firm, as well as assessing new emerging risks and opportunities.

## PRINCIPAL RISKS

The principal risks faced by the Group are summarised in the table on pages 43 to 45.

## FINANCIAL RISKS

The principal financial risks are also discussed in more detail in the Finance Director's Review on pages 38 and 39.

**Charles Rozes**
Finance Director
28 February 2018

| RISKS | NATURE OF RISK | MITIGATION |
|---|---|---|
| STRATEGIC RISKS | | |
| Economic Instability | JLT's business is driven more by economic activity and growth than by (re)insurance market rates, since greater levels of corporate activity generally drive greater demand for the Group's services. There is a risk that economic instability reduces client demand. | • Global business operations diversified across a broad range of territories and industry sectors.<br>• Well funded balance sheet and access to liquidity.<br>• Annual strategy review at Board and Group Executive Committee. |
| Strategy & Change Management | Strategy: there are risks to the Company's strategic plan arising from changes in the external environment, such as markets (e.g. consolidation), customer behaviour (e.g. disintermediation), technology (e.g. disruptive technologies) and political developments such as Brexit, as well as risks arising from acquisitions, strategic change initiatives and the execution of the Company's strategy. | • Annual strategy review by the Board and the Group Executive Committee.<br>• Formal three year strategic planning process for every business revised annually, which includes consideration of material risks to the business plan.<br>• Acquisition due diligence and risk assessment processes.<br>• Brexit - Investments made to strengthen operations in Europe to reduce potential impact on serving clients and the access to markets in the EU. |
| | Change management: JLT is an agile organisation that seeks to ensure it maximises opportunities for the benefit of clients and other stakeholders, and is well controlled and resilient. There is a risk that the appetite of the Group for change exceeds its capability and capacity to deliver and absorb change(s) effectively. | • Programme governance over strategic change initiatives. |
| Reputation | JLT recognises the strategic importance and value of its reputation and takes a wide range of measures to protect it. Damage to reputation can potentially occur as a result of any principal risk crystallising.<br>At a macro level there is a risk of reputational impact arising from the conduct of employees and parties we work with in the course of our business, falling outside of our values, policies and expectations. | • Formal recruitment processes and employee vetting.<br>• Client & third party due diligence and governance.<br>• Sanctions/anti money laundering screening.<br>• Market security due diligence.<br>• Group Procurement function with supplier screening process.<br>• Group crisis management team, plan, reputational management plan and public relations agency. |
| OPERATIONS RISKS | | |
| Business Interruption | Loss of physical site: the Group operates from over 100 offices in 41 territories across the world, with a number of key strategically important sites. There is a risk of a business interruption due to a large, unexpected incident. | • Dedicated Group Business Continuity Management function that provides oversight of plans and solutions, and co-ordinates responses to events.<br>• Detailed Group Business Continuity policy and procedures for each business unit.<br>• Regular independent review and testing of business continuity plans. |
| | Loss of IT: The Group is reliant on the ability to process its transactions on behalf of its clients. Risks arise from non-performance or failure of IT, whether in-house or from an outsourcing provider/IT supplier, malicious act and/or cyber-crime, and internal operational issues. | • Group Procurement function with supplier screening process.<br>• Formal contracts and service level agreements in place with all outsourcing providers or IT suppliers.<br>• Dedicated IT Security function.<br>• Monitoring of compliance with Group IT Security policy and service level agreements.<br>• Regular IT disaster recovery plan testing by each business unit. |
| PEOPLE RISKS | | |
| Loss of Key Staff/ Teams | The Group's principal asset is its people; there is a risk that the organisation may not be able to attract and retain market leading talent. | • Distinctive entrepreneurial, collaborative and team oriented culture and environment.<br>• Effective staff reward and retention strategies.<br>• Effective staff appraisal and development programmes.<br>• Succession planning processes. |
| IT RISKS | | |
| Information Security & Cyber | Intermediaries and pension administrators process and retain confidential data in the normal course of business. Risks relate to loss of customer records or breach of confidentiality due to inadequate security and other key controls. | • Risk based monitoring and reviews performed by Group Information Security and Group Internal Audit.<br>• Regular reporting to business Audit and Risk Committees.<br>• IT platform security - Data Loss Prevention tools and processes, firewall, identity and access management, network access controls, network and security event monitoring, penetration testing, and server maintenance.<br>• Mobile device encryption; restrictions on USB devices and access to personal email.<br>• Non-Technical and Technical Group Information Security policies and standards and all staff training. |

| RISKS | NATURE OF RISK | MITIGATION |
|---|---|---|
| LEGAL AND COMPLIANCE RISKS | | |
| Data Privacy | Risks arising from non-compliance with or misinterpretation of local or international data privacy regulation/legislation. | • Group-wide information classification schema. Regular reviews of highly confidential data and corresponding controls and protections.<br>• Group Data Protection policy and training for all staff.<br>• Data loss prevention tools and processes.<br>• Mobile device encryption; restrictions on USB device, and access to personal email.<br>• Records Management policy including retention and archiving.<br>• Technical Group IT Security policies and standards.<br>• Formal General Data Protection Regulation (GDPR) implementation programme. |
| E&O claims | Intermediaries run a risk of incurring a loss if the operating procedures in place across the Group in relation to market security, placement and claims are not complied with or alleged negligence/breach of contract in the provision of services/advice becomes apparent. | • Common operating procedures and compliance policy in each business.<br>• Staff training in errors and omissions avoidance.<br>• Central and regional risk and compliance monitoring.<br>• Strong procedural and systems controls.<br>• Quality assurance programmes.<br>• Professional indemnity insurance programme.<br>• Market security processes, monitoring and Insurer Impairment Plan.<br>• A global policy of proportionate liability capping wherever practicable. |
| Litigation (Non E&O litigation) | Litigation risk can arise from a number of different sources such as:<br>• M&A litigation (e.g. breach of Sale & Purchase Agreement);<br>• breach of employment law; and<br>• tortious liability arising from the recruitment of individuals. | • Dedicated Legal and M&A function with oversight responsibilities.<br>• Staff training in HR policies and procedures.<br>• Formal recruitment processes based upon HR and legal advice. |
| Competition/ Anti-trust | Engagement in anti-competitive/anti-trust practices could result in infringement of competition/anti-trust laws and regulations. | • Group Competition Risk policy.<br>• Staff training and awareness in competition laws and regulations. |
| Bribery and Corruption | Risks relating to the engagement in corrupt practices could result in a breach of bribery & corruption legislation and regulation. | • Group Anti-bribery & Corruption policies (including Gift and Entertainment and Third Party Payments & Approvals policies).<br>• Client & third party due diligence and governance.<br>• Staff training and awareness in anti-bribery and corruption laws and regulations.<br>• Segregation of duties.<br>• Operating Procedures manuals.<br>• System and payment controls.<br>• Group Financial Crime team oversight. |
| Regulatory | The Group's footprint brings with it an increasingly complex regulatory landscape to be anticipated and managed. There is a risk that JLT may fail to take into consideration the requirements leading to legal and/or regulatory breach.<br>Risk can also arise from a regulator conducting a review of past business activities which causes it to revise its view of the product/proposition and could result in regulatory sanction, fines and remediation costs. | • Dedicated first and second line of defence compliance functions.<br>• Group Compliance policies and staff training programmes on regulatory topics.<br>• Regulatory monitoring programmes.<br>• Quality Assurance programmes. |
| Sanctions | As a global company supporting international clients, brokers run the risk of engaging with sanctioned territories and/or individuals/entities which could give rise to a breach in sanctions/export control orders. | • Group Sanctions policy.<br>• Systems screening and sweeping.<br>• Staff training and awareness on sanctions risk and compliance obligations.<br>• Operating Procedures manuals.<br>• System controls.<br>• Group Financial Crime team oversight. |

| RISKS | NATURE OF RISK | MITIGATION |
|---|---|---|
| FINANCIAL RISKS | | |
| Liquidity/Financing | Risk that the Group is not able to meet its obligations when they fall due, or can do so only at excessive cost. This risk may occur through:<br>• lack of undrawn credit facilities.<br>• inability to obtain financing, including refinancing at maturity.<br>• breach of debt covenants. | • Multiple banking facilities.<br>• Cash management processes.<br>• Financial planning and forecasting.<br>• Group Cash Management policy & process. |
| Foreign Exchange | The Group has foreign exchange exposures to:<br>• risk arising from the need to convert currencies into GBP for reporting purposes; and<br>• risk arising from revenues and costs being denominated in different currencies. | • Prudent management of transactional currency exposures through a structured hedging programme.<br>• Regular review and sensitivity analysis of currency translation impacts to financial reports.<br>• Centralised hedging of material transactional exposures.<br>• Reporting and auditing of hedging and exposures. |
| Counterparty | Counterparty risk can arise for JLT from two key sources:<br>- Banks: risk of loss of own cash, fiduciary funds, investments & deposits, derivative assets & trade receivables as a result of bank failure. | • Board approved Investment and Counterparty policy to limit the concentration of funds and exposure with any one counterparty.<br>• Defined Cash and Investments policy.<br>• Active management and monitoring of counterparty limits, financial strength and credit profile of key counterparties.<br>• Regular review by Board and Audit & Risk Committee of counterparty limits, ratings, credit default swap spread rates, utilisation levels and compliance with applicable regulation. |
| | - (Re)Insurers: JLT owes a duty of care to place clients' business with security, which may reasonably be regarded as being sufficiently sound financially to meet potential claims as they may fall due. In the event of insurer impairment, this could result in client detriment and damage to the broker/client relationship(s). Also, in the event of JLT having been adjudicated not to have exercised reasonable endeavours to mitigate this risk, it could result in an E&O claim. | • Market security due diligence.<br>• Group Market Security team.<br>• Insurer Impairment Plan. |
| Defined Benefit Scheme liabilities | Risk of adverse financial impact as a consequence of increase in the Defined Benefit Pension Scheme deficit. | • Appropriate scheme investment strategy and diversification.<br>• Triennial actuarial valuations and regular trustee funding updates.<br>• Agreed deficit funding plan.<br>• Regular review of long term de-risking strategy.<br>• Regular scheme membership data verification.<br>• Effective independent trustee governance.<br>• Regular review of employer covenant.<br>• Regular monitoring and reporting of scheme asset performance and liability positions. |
| Interest Rate | Risk of volatility of earnings and cash flows arising from exposure to movements in interest rates. This may also impact the Defined Benefit Pension Scheme assets and liabilities. | • Group Treasury management of cash balances.<br>• Interest rate hedging programme.<br>• Financial planning and forecasting. |
| Financial Reporting | The risk of inaccurate accounting and reporting, internally and externally. | • Group Accounting policy.<br>• Attestation process for financial reporting.<br>• Financial reporting policy and procedures.<br>• Internal and external audit of financial controls and reports. |
| Fraud | Risks relating to the theft or misuse of JLT and client monies. | • Group Treasury policy, procedures & controls.<br>• IT system access management and restrictions.<br>• Segregation of duties.<br>• Segregation of client and company funds.<br>• Whistleblowing policy and hotline.<br>• Financial Crime team. |

# CORPORATE RESPONSIBILITY

We see it as essential to act in the interests of all our stakeholders – in particular our clients, our colleagues, our shareholders and our trading partners – in order to build a sustainable, long term business; one that balances risk with opportunity and that makes a positive contribution to the communities in which we live and work.

We also recognise that one of the key duties which our Directors have under the Companies Act 2006 (the Act) is to promote the success of JLT for the benefit of its shareholders, whilst having regard to the interests of the Company's broad range of other stakeholders and wider social responsibilities. In this section we review the activities of the Group over the past year in terms of how we have sought to fulfil our environmental, social and governance responsibilities.

## MANAGEMENT OF CORPORATE RESPONSIBILITY

Our approach to Corporate Responsibility (CR) has a strong focus on the interests of our clients. Our clients increasingly seek evidence that their service providers are well governed, and that we make a sustainable, positive contribution to solving the challenges that face our communities, our society and the environment. It is therefore integral to our success that JLT demonstrates high standards of CR – not only delivering the best commercial outcomes for our clients, but also taking every opportunity to do so in the most socially responsible and sustainable way.

At JLT our functional teams - including HR, Property Services, Procurement, Finance, Risk and Marketing – have a strong focus on delivering CR-related projects. Each of our businesses across the Group is also closely involved and colleagues around the world regularly volunteer for a wide range of activities. The Group's CR strategy and activities are coordinated by the CR Steering Group, which has Board, Group Executive Committee and senior management membership.

Our CR Steering Group actively pursues the achievement of higher standards in both our socially responsible behaviours and our capacity to measure and benchmark those behaviours for our stakeholders.

This Steering Group includes senior representation for each of JLT's main operating companies, worldwide. These designated representatives are responsible for driving CR activity at a local level and liaise closely with the Steering Group. The Group's approach to charitable giving is coordinated by the Group Charities Committee.

FTSE4Good

We are constituents of the FTSE4Good index. FTSE4Good evaluates companies' performance in the areas of Environmental, Social and Governance responsibility. Our continued presence in the index reflects our ongoing commitment to corporate responsibility.

# ENVIRONMENTAL SUSTAINABILITY

We recognise that climate change and the scarcity of natural resources will pose an increasingly significant challenge to society over time. We believe that JLT has a social responsibility to minimise our environmental impact as far as possible. We therefore seek to take commercially sustainable measures to manage our environmental impact, including how we manage our property portfolio. For example, our preference is always to use energy-efficient lighting technologies where we can, and to take measures to use water efficiently.

## EXECUTIVE SUMMARY

In line with Mandatory Carbon Reporting (MCR) requirements within the Companies Act 2006, this report outlines JLT's Greenhouse Gas (GHG) emissions covering the 2017 financial year.

The scope of JLT's reporting encompasses its operational boundary and includes emissions associated with all of JLT's offices worldwide. JLT has reported on the mandatory scopes 1 and 2, and for the optional scope 3 has opted to include global business travel (given that air travel in particular is acknowledged as a large contributor to greenhouse gas emissions) and non-purchased electricity where available.

JLT's total GHG emissions for 2017 were 20,244 $tCO_2e$. The largest proportion of JLT's GHG emissions can be accounted for by air travel which comprises 62% of the total emissions, equating to 12,566 $CO_2e$.

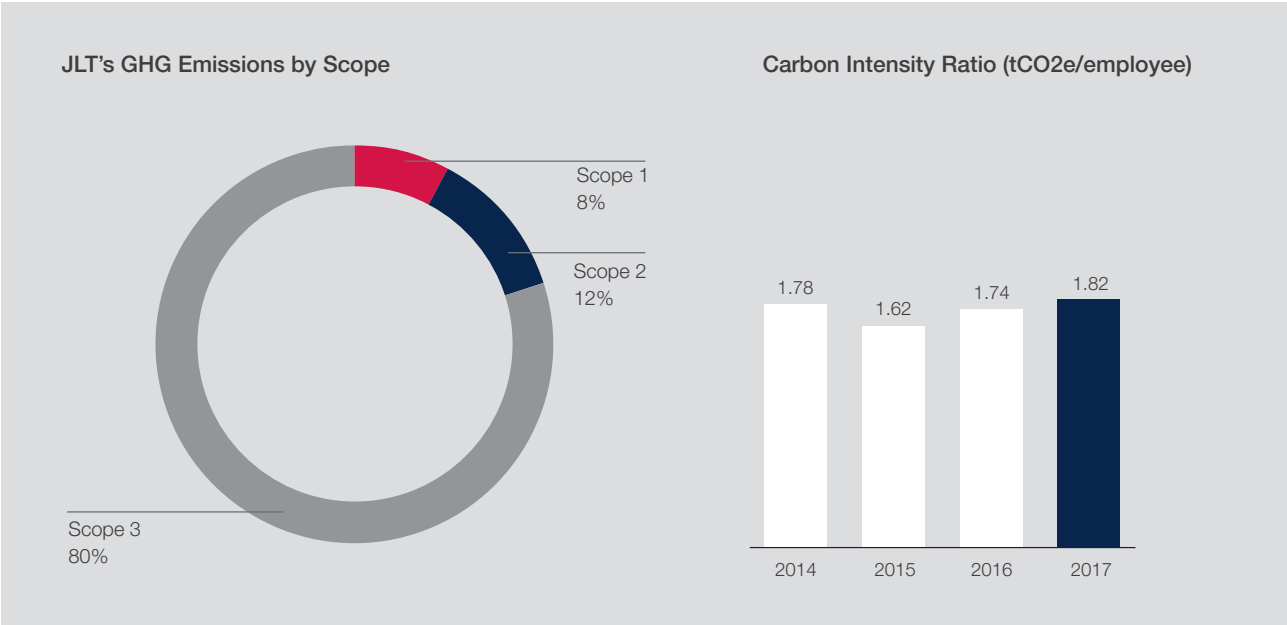
In order to demonstrate JLT's emissions in relation to a quantifiable factor relating to its business activities, JLT has calculated its intensity ratio on the basis of the number of JLT employees, as this is considered to relate to Company growth and GHG emissions. The intensity ratio for 2017 is 1.82 $tCO_2e$/employee.

## JLT'S GHG EMISSIONS BY SCOPE AND INTENSITY RATIO

| Scope | Source | Details | Sub Total Tonnes $CO_2e$ | Total Tonnes $CO_2e$ 2017 | 2016 | Base Year | Intensity Ratio |
|---|---|---|---|---|---|---|---|
| Scope 1 | Purchased Fuels | Natural gas purchased directly by JLT | 182.79 | 1,625.59 | 2,074.60 | 2,368.55 | 0.15 |
| | Fugitive emissions | Refrigerant leaks and top ups for equipment under direct responsibility of JLT | 359.29 | | | | |
| | Transport | Transport owned or controlled by JLT | 1,083.51 | | | | |
| Scope 2 | Purchased Electricity Location Based | Electricity purchased directly by JLT | 2,506.44 | 2,506.44 | 2,591.59 | 3,842.87 | 0.22 |
| | Purchased Electricity Market Based | Electricity purchased directly by JLT | 1,775.89 | 1,775.89 | 2,319.34 | 3,842.87 | 0.16 |
| Scope 3 | Air Travel | Flights taken by JLT employees for business purposes | 12,565.59 | 16,112.18 | 14,782.14 | 11,908.57 | 1.45 |
| | Rail Travel (UK Only) | Rail Travel by JLT employees for business purposes | 189.68 | | | | |
| | Non-Purchased Electricity | Electricity used by JLT but purchased by the landlord | 3,264.96 | | | | |
| | Waste Data (UK only) | Waste generated by JLT employees | 91.95 | | | | |
| TOTAL LOCATION BASED | | | 20,244.21 | 20,244.21 | 19,448.33 | 18,119.99 | 1.82 |
| TOTAL MARKET BASED | | | 19,513.66 | 19,513.66 | 19,176.08 | 18,119.99 | 1.76 |
| Intensity Ratio (Location Based) | | | 1.82 | 1.82 | 1.74 | 2.18 | |

***What is $tCO_2e$?**

It is standard practice to report GHG emissions in tonnes of $CO_2$ equivalents ($tCO_2e$). This is a universal unit of measurement used to indicate the global warming potential of the GHG in relation to the global warming potential of one unit of carbon dioxide. The seven main greenhouse gases that are converted into $tCO_2e$ are Carbon dioxide ($CO_2$), Methane ($CH_4$), Hydrofluorocarbons (HFCs), Nitrous oxide ($N_2O$), Perfluorocarbons (PFCs), Sulphur hexafluoride ($SF_6$) and Nitrogen trifluoride ($NF_3$).




## METHODOLOGY

The methodology employed to calculate the GHG emissions is in accordance with the GHG Protocol Corporate Reporting and Accounting Standard (revised edition). Data has been collated from JLT's global offices for electricity, fuels, refrigerants and transport directly purchased or controlled by JLT, in line with the mandatory scopes 1 and 2.

With regard to the optional scope 3, JLT has included within its report emissions relating to air travel by its employees for business use, as this is recognised as a significant contributor to carbon emissions. JLT has also reported on non-purchased electricity usage (i.e. used by JLT but purchased by the landlord) for countries that have this data available and for the UK only, rail travel and waste data. The relevant UK or international emissions factors have been applied.

There were some limitations to the reporting due to gaps in data, and where necessary every reasonable effort has been made to fill these and estimate data as accurately as possible. For air travel, some countries were excluded as this data is not available for this reporting period. JLT will be working with its global offices to further improve data availability for the 2018 reporting period.

## YEAR-ON-YEAR REVIEW

The total emissions associated with JLT's operations have increased. The intensity ratio of emissions per employee has increased by 0.08 $tCO_2e$/employee. The number of employees has decreased slightly. There has been a wider data set included this year, for instance more countries able to report on non-purchased electricity and the inclusion of waste data.

The wider data set, alongside an increase in air travel emissions, has meant that the scope 3 emissions have increased whereas both scopes 1 and 2 have decreased.

JLT's focus on reducing its environmental impact extends beyond reporting on its emissions. For JLT's London head office there is now an environmental management system in place, which is committed to reducing the impact of its activities and promoting good environmental practice.

## RECYCLING

We actively promote recycling and encourage the removal of general waste bins and the provision of sorting bins and facilities in our offices. This initiative has been particularly successful in our London headquarters and in our Mumbai operations, which between them represent more than 35% of our JLT colleagues.

In London, the Corporation of London's Clean City Awards scheme has awarded our London headquarters, The St Botolph Building, a Gold rating for its "zero to landfill" approach to waste management.

## TRAVEL

In 2017, JLT introduced a new global Travel & Entertainment Policy. This policy establishes, as a minimum, standardisation of JLT's approach to travel, consolidation of travel data and improvement in traveller tracking. The policy builds on our commitment to reduce all travel, particularly for internal staff meetings, national or international, and we continue to extend our teleconferencing facilities in JLT offices globally.

Where there is an identified need to travel, we are actively promoting the benefits of combining trips and taking advantage of multi-sector air tickets, thus reducing our carbon footprint.

We also continue to monitor our air travel usage as part of our statutory GHG reporting responsibilities.

We are fully aware of our corporate responsibility with regards to the regulations associated with the Modern Slavery Act 2015 which our hotel selection procedure recognises.

## PAPER CONSUMPTION

We recognise both a cost benefit and an environmental benefit in limiting our consumption of paper, and seek to manage our consumption of paper with the environment in mind. To that end we uphold the following principles:

- to use print suppliers whose sustainability programme employs the replanting of crop.
- to set laser printer defaults to two-sided printing. Adopted in JLT Group IT policy, this requirement is reducing paper consumption and waste; and
- to circulate documents (e.g. meeting agenda and papers) in a format that avoids the need for printing. The Group employs cloud-based software systems to distribute board and committee papers electronically, saving on paper as well as reducing overheads associated with distribution.

# SOCIAL RESPONSIBILITY

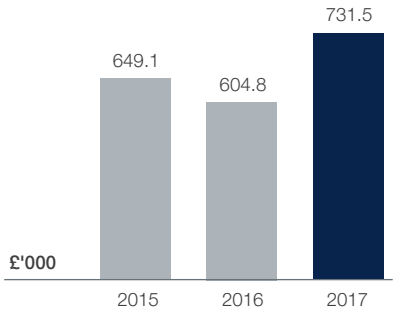
Our colleagues across the world are active and enthusiastic contributors to community life. They take real pride in exercising their personal responsibility to make a positive contribution to the environment and to the communities in which they live and work. We believe community engagement makes a positive difference to our team spirit and ultimately to the quality of the work our teams can deliver for clients. JLT supports and encourages colleagues' initiatives – this can include time off work to take part in volunteering activities and matched-funding to support charitable fund-raising.

## CHARITY

To maximise the impact we can have, we focus on 3 strategic partners aligned to our own areas of business; sharing the social benefits of knowledge (Specialty), wellbeing (Employee Benefits) and resilience (Reinsurance).

Our current partners on these strategic themes are: Udaan Foundation (knowledge), Alzheimer's Society (wellbeing) and RedR (resilience). We manage the majority of our charitable giving business-by-business, with a central fund to provide greater support to our strategic partners.

**Charitable Donations**




We regularly engage clients in joint fundraising activities and see this as an important part of client relationship building. Perhaps the most longstanding example is JLT's annual golf day in aid of Sydney's Westmead Hospital, which to date has raised more than AUD 1.8 million for the Children's Cystic Fibrosis clinic.

We actively manage the risk that charitable payments may be misused as inducements, with training and monitoring in place as part of our bribery and corruption controls framework.

## DIVERSITY & INCLUSION

At JLT we strive to provide an inclusive working environment that encourages everyone to fulfil their potential. We believe an inclusive culture encourages diversity, which in turn leads to better business decisions and better solutions for clients, drawing on a wide range of experience. We aim to recruit the most talented and ambitious people, irrespective of differences in education, religion, nationality, race, gender, age, physical ability, social background or sexual orientation.

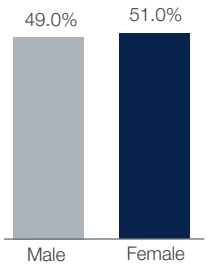
Our focus on inclusion is global, and tailored to meet the needs of our individual businesses and geographies, as well as the needs of the businesses they serve.

Having established our Diversity Committee in 2015, we defined JLT's Diversity agenda on the basis of three pillars - Networking, Sponsorship and Involvement, each of which has inclusion at its core. In 2017 JLT supported many initiatives, both internally and in public events in the London Market and other insurance hubs, to help to drive a more diverse and inclusive business and to play our part in solving these challenges in our industry.

Across 2018, our efforts will be focused around building inclusion, in particular, ensuring that we continue to reinforce the need for inclusive working practices, and an awareness of innate biases, through all of the employee life cycle.

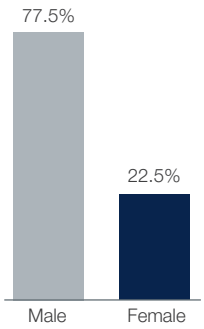
Following a review of our career management processes, strategic impact has been defined with greater precision. As a result, the in-scope population in determining the make-up of JLT's senior management has reduced in number. A restatement of the figures previously reported for 2016 on this basis results in 76% of the senior management population being male and 24% being female. The 2017 position is as follows:

**All Employees**




(TOTAL: 10,453 employees)

**Senior Management**




(TOTAL: 1,085 employees)

**Networking**
In 2017, Women@JLT launched in Australia. The inaugural event was held in Sydney and focused on the challenges faced by women in their careers. In the UK, JLT continued its membership of the City Women's Network. Additionally, JLT colleagues across the UK participated in the Independent Women In Insurance (iWIN) network and the Gender Inclusion Network for Insurance. Collaboration with others in the insurance industry included the second joint leadership event with Hiscox in London on career challenges. JLT also hosted its second private dinner for the London Insurance Supper Club, a network of senior women within our sector, on the subject of wellness at work.

**Sponsorship**
Our sponsorship of Lloyd's 'Dive In' festival (Diversity and Inclusion in Insurance) continued for a third year. A breakfast event for millennials was hosted in JLT's offices in Sydney, Australia, while in Singapore JLT co-sponsored the Dive In. JLT was a silver sponsor of the 'Dive In' festival in EMEA and hosted a follow up event later in the year in London on the use of language at work.

In Hong Kong, JLT is sponsoring a project in conjunction with the Hong Kong Council on Social Services on the empowerment of women.

**Involvement**
JLT supports the Chartered Insurance Institute's involvement in the HeForShe campaign which aims to achieve gender parity. This support was re-confirmed with senior leaders publicly making their HeForShe pledges. We recognise that making diversity part of our DNA demands an inclusive environment. Our training and development in this area continues to be enhanced with inclusive leadership being a critical part of all our leadership and management development programmes. It is also integrated into our Performance Management training. We are making the way we recruit more deliberately inclusive, and enhancing our ability to track and manage our performance on a range of relevant metrics.

## HEALTH & WELLBEING

As a major global provider of Employee Benefits services to our clients' employees, we have a natural insight into the health and welfare responsibilities of employers, especially through the occupational rehabilitation services we deliver on behalf of our clients in various territories.

We offer a range of standard and discretionary health benefits to our employees in most territories, alongside support for healthy lifestyles.

The 'Wellbeing' theme in our internal CR programme includes a range of activities with third parties, for example the Mindset charity in Hong Kong and Singapore, working with Jardine Matheson. Globally, across 2018, we will be bringing greater focus to mental health in the workplace including expanding the use of accessible resources for employees, and establishing stress management workshops for managers to recognise the early signs of mental health issues.

## LABOUR STANDARDS

As a specialist professional services firm, our exposure to the risk of low labour standards is not significant. We are opposed to forced labour or child labour. Our Employee Handbooks specify clear standards for acceptable working practices. We apply due diligence in our procurement policy and processes to ensure that we work with appropriate sub-contractors.

In addition, our Employee Benefits business frequently helps clients to improve their own capabilities in the area of employee wellbeing through helping to minimise risks and deliver healthcare and rehabilitation support services, contributing to enhanced labour standards in the markets we serve.

## HUMAN RIGHTS & MODERN SLAVERY

As an employer in both the developing and developed worlds and with clients who have diverse businesses in some of the most remote and poor, as well as the most affluent, corners of the world, we recognise and support the need to work together to ensure that principles of respect, fairness and integrity remain at the heart of how we run our business.

We respect and uphold the human rights and principles set out in detail in:

- The UN Universal Declaration of Human Rights; and
- The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work

We have a zero tolerance for modern slavery and human trafficking in our organisation and in our supply chain. Our supply chains include providers of professional services, IT services and equipment, office facilities services, recruitment and training, advertising and marketing, and business operations and infrastructure support.

As a service based insurance broking and employee benefits business we believe the risk of modern slavery and/or human trafficking in or business and supply chain is low.

We have a Code of Ethical Conduct. This sets the standards we expect from both our own people and those of our partners.

We are committed to improving our supply chain vetting and due diligence. In the UK we carry out an annual risk assessment with our supply partners to ensure that compliance to our standards remain in place.

In 2016 we increased our scrutiny of our UK supply chain in respect of the specific abuse of human rights that is human trafficking, in recognition of both the spirit and letter of the UK's Modern Slavery Act.

In 2017, we made further progress in improving our supply chain vetting and due diligence for our operations outside of the UK. This is an ongoing process.

In addition, in 2018 we will be launching a training and awareness programme to appropriate members of staff to ensure a high level of understanding of the risk of modern slavery and human trafficking within the business.

In accordance with the Act, we publish on our website an annual statement detailing our commitments and the progress we are making towards assuring that our supply chain conforms to the principles we uphold.

## SOCIAL BUSINESS & PRO BONO WORK

We are increasingly looking for opportunities to apply our professional expertise to support the communities in which we operate. Our Local Community Insurance Services (LCIS) team in JLT Australia, for example, delivers low cost access to insurance services for small not-for-profit organisations and clubs who might otherwise face insurmountable obstacles to hosting events or accepting volunteers.

At the same time, we are sometimes able to offer our specialist expertise on a pro bono basis for good causes, which we are pleased to do whenever our expert advisers have the capacity.

An example of this is where the fund managers at The Future Generation Investment Company and the Future Generation Global Investment Fund waive all management and performance fees, enabling 1% of assets to be donated to young Australians affected by mental illness every year. As their risk partner, we're honoured to provide broking services on a pro bono basis, supporting their innovative venture and the millions of dollars they raise.

# MAKING A POSITIVE CONTRIBUTION

Our colleagues across the world are active and enthusiastic contributors to community life. They take real pride in exercising their personal responsibility to make a positive contribution to the communities in which they live and work.

## REDR UK

On 1 March 2017, JLT in London hosted an annual drinks event for patrons of RedR, the disaster relief experts and our 'resilience' charity partner. The event was led by the Princess Royal, HRH Princess Anne, who is President of the charity, and was attended by 120 patrons and friends of the charity, including many of our contacts in the Construction and Energy sectors.


## ALZHEIMER'S SOCIETY

JLT Specialty is proud to be partnering with the Alzheimer's Society in 2017 and 2018 with a campaign to raise £150,000 to assist them with their vital work in combating dementia. Through the hard work of all concerned they were able to present a cheque to the charity for the sum of £80,000 at the end of 2017.

## UDAAN SCHOOL

JLT partners with the Udaan India Foundation which is close to its office in Mumbai, a not-for-profit organisation working with children from low-income communities in the field of education. The primary aim is to ensure that every school child is gaining a strong and holistic educational foundation to become a responsible, compassionate and confident citizen of tomorrow.


## THE CHILDREN'S HOSPITAL AT WESTMEAD

JLT Australia's annual golf day in aid of The Children's Hospital at Westmead, Sydney, is one of our longest standing charity partnerships. Over 14 years it has raised more than AUD 1.8 million. These funds have annually sponsored a young paediatric doctor, the JLT Medical Fellow, to undergo Specialist training in Cystic Fibrosis. Two of these doctors are now world-leading researchers in Cystic Fibrosis.

## MINDSET CHALLENGE, HONG KONG

The annual 'Walk Up Jardine House' is one of Jardine Matheson Group's most notable philanthropic initiatives in Hong Kong and has been taking place since 1985. In March 2017, five of JLT Hong Kong's colleagues ran up 49 floors, covering 947 steps in just over five minutes contributing to the HK$40 million raised for charity.

## BRAZIL

In 2017, JLT Brazil colleagues dedicated time to bring a smile to more than 800 children in deprived areas of São Paulo and Rio de Janeiro, on Easter, Children's day, and Christmas, also developing a warm clothing campaign. Our colleagues donated more than 400 toys to help Santa deliver Christmas gifts to the children.

# GOVERNANCE RESPONSIBILITY

As a financial services group with operations across the world, JLT's governance capability is highly developed. We hold each other to high standards of integrity – our culture is committed to transparency and fairness to the client, and the rigorous pursuit of their best interests. This section highlights topics of particular relevance to Corporate Responsibility benchmarks. For a fuller account, refer to the Risk Management section on pages 41 to 45 and the Corporate Governance Report on pages 57 to 66.

## RISK MANAGEMENT

As a global company, JLT faces a range of risks, each of which has the potential to negatively impact the delivery of our strategic business objectives, outcomes for clients and our reputation. These risks can also provide opportunities in the right circumstances. Taking risk in a disciplined and considered way is essential to our growth and continued success. It allows us to maximise the positive impact that our business can have on society and communities, and minimise the downside risk. JLT's risk management arrangements enable us to:

- understand the risks we face;
- manage risk in an intelligent, conscious, disciplined, agile and balanced way;
- enhance performance and maximise opportunities; and
- operate with rigour to:
  - protect our key stakeholders, our reputation and our results from events that could have been reasonably foreseen;
  - provide our clients and other key stakeholders with confidence that we are a sustainable and resilient business that is able to service their needs when they need us; and
  - comply with applicable regulations, laws and corporate governance obligations.

The Group operates a '3 lines of defence' governance model. The first line (the business) is responsible for the identification and management of all the risks inherent in its operations; the second line (Group Risk & Compliance) provides policy, advice, guidance and challenge to the business; and the third line (Group Internal Audit) independently assesses and reports on the effectiveness of governance, risk management and internal controls.

The Group operates an enterprise-wide risk management framework, which is based around recognised standards and good practice including the Institute of Risk Management and ISO 31000, and which is tailored to align with JLT's role as a (re)insurance broker and employee benefits solutions provider. The framework is periodically reviewed to ensure that it remains appropriate, and in keeping with the nature and scale of the Company and the environment within which we trade.

For more detail on the principal risks we track and the governance structure we apply to maintain rigorous risk management, see pages 41 to 45.

## BRIBERY & CORRUPTION

We are committed to actively contributing towards the international efforts to eradicate all forms of financial crime. Limiting our exposure to financial crime is an integral part of JLT's activities and helps us maintain our reputation. As a global business listed on the London Stock Exchange, JLT is subject to the UK Bribery Act (2010) which requires us to have adequate procedures to prevent bribery and corrupt action by those working for JLT or on its behalf. Anti-bribery and corruption is also a key feature of global regulatory regimes that JLT complies with. JLT's policies and procedures are based around external good practice and use leading worldwide corruption data such as that provided by Transparency International. We actively guard against bribery and corruption by:

- **Maintaining Anti Bribery & Corruption ('ABC') policies** – we have an overarching ABC policy which is underpinned by a number of specific policies including Gifts & Entertainment, Third Party Payments & Approvals and Conflicts of Interest policies. These provide clarity to staff on our commitment, legal and regulatory obligations (both corporate and personal) and the requirements we have as a Group to minimise the risk of bribery and corruption, including reporting any actual or suspected instances of bribery and corruption. These policies are maintained and set out within our Employee Handbook and are accessible on our company intranet;
- **Training** – our set goal is to train every employee from director to broker to support functions globally so not only can they recognise and prevent the use of JLT in the furtherance of bribery and corruption, but they can anticipate where to look. Training includes global e-learning modules in eight languages, and is supplemented by face to face training and briefings for higher risk jurisdictions;
- **Vigilance** – all staff are reminded of their legal obligations in relation to reporting suspicious activity or transactions and JLT provides communication channels to enable employees to discuss and report any suspicion of bribery and corruption. JLT also has a whistleblowing policy as described on page 55;
- **Investigation** – JLT will investigate any instance of alleged bribery and corruption as well as assisting the police and other appropriate authorities in any resultant investigation and prosecution; and
- **Financial Crime Team** – this JLT team supports the active reduction of bribery and corruption risk by managing and providing oversight of the Group's ABC policies, and providing tools, training and specialist expertise including investigation.

## WHISTLEBLOWING

JLT has a global whistleblowing policy and 24 hour hotline provided by a specialist external firm. This provides an alternative channel for those colleagues who might feel unable to report wrongdoing, or suspicions of wrongdoing, through their normal line management channels. The hotline allows employees across the world to report issues or concerns online or by phone in a range of languages and with complete confidence and without fear of dismissal or retaliation.

The whistleblowing policy is actively communicated during the year and managers are required to ensure that their teams understand the purpose of the policy, how concerns can be raised, and the protections afforded to employees. Any reports of incidents, events or concerns made under this policy are investigated and resolved confidentially. JLT's policy and systems conform with the differing regulatory requirements of all the countries in which we operate, and gives colleagues the option of anonymity or complete confidentiality wherever this is permitted by law. The Group's whistleblowing arrangements are monitored and reviewed by the Group Audit & Risk Committee.

## TAX TRANSPARENCY

The Group's updated tax principles, which comply with section 16(2), schedule 19 of the Finance Act 2016, are published on the Group's website jlt.com. We believe these principles are based on good corporate practice in the area of tax management and tax transparency, balancing the interests of our stakeholders. We will continue to revise and strengthen these principles as necessary, in response to the needs and expectations of our stakeholders.

The Strategic Report is signed for and on behalf of the Board.

**Dominic Burke**
Group Chief Executive
28 February 2018

# CORPORATE GOVERNANCE REPORT

This section includes a review of our corporate governance processes and summaries of the work of the Board and its Committees.

# CORPORATE GOVERNANCE REPORT

"Good governance, with high standards set from the top, is a key factor in delivering sustainable business performance and creating continued value for the Group's shareholders."

Geoffrey Howe

## INTRODUCTION FROM THE CHAIRMAN

On behalf of the Board, I am pleased to introduce the Company's Corporate Governance Report for the financial year ended 31 December 2017.

We continue to believe that how the Group does business is as important as what it does, and recognise the need for a strong corporate governance framework and supporting processes across the Group. Good governance, with high standards set from the top, is a key factor in delivering sustainable business performance and creating continued value for the Group's shareholders.

In the following pages you will find details of how JLT approaches governance, including the operation of the Board and its Committees and an explanation of how we comply with the 2016 UK Corporate Governance Code (the Code). You will also find a summary of the key outputs from the latest review of the Board's effectiveness - the results of which were very positive - and Reports from each of the Board's Committees.

We recognise the importance of effective corporate governance throughout the Group and of having robust governance structures and processes in all our businesses.

Each of the Group's businesses is governed by a board of directors and, on an individual business or regional basis, an audit and risk committee, further details of which can be found in the Risk Management Report on page 41.

### BOARD COMPOSITION

During 2017, a number of changes were made to the membership of the Board and its Committees. Two Directors retired from the Board during the year: Bruce Carnegie-Brown retired in June, following his appointment as the Chairman of Lloyd's of London, and Jonathan Dawson retired in October. I should like to express the Board's thanks to Bruce and Jonathan for their respective contributions to the Board.

Andrew Didham and Richard Meddings both joined the Board on 2 October 2017. Richard has become Chair of the Remuneration Committee and Andrew has become Chair of the Audit & Risk Committee. Annette Court has succeeded Jonathan Dawson as the Company's Senior Independent Director. We are also pleased to welcome Lynne Peacock, who will join the Board as a Non-Executive Director with effect from 1 May 2018.

### CODE COMPLIANCE

We remain committed to the principles of good corporate governance established by the Code. We confirm that the Company applied the main principles and complied with the relevant provisions of the Code during 2017, with the exception of provisions B.1.2, B.2.1, C.3.1 and D.2.1 relating to the composition of the Board and its Committees. This was primarily due to the roles of two Jardine Matheson-appointed Directors on the Board. The Board strongly believes that the continuation of these arrangements is in the Company's best interests. This is explained further in the Directors' Report on pages 91 to 98, which provides an overview of the Company's compliance with the Code and an explanation for the areas of non-compliance.

I should like to thank the Directors for their support throughout the year.

**Geoffrey Howe**
Chairman
28 February 2018

# DIRECTORS' PROFILES

**GEOFFREY HOWE** GROUP CHAIRMAN ◆

Geoffrey Howe was appointed a Non-Executive Director in January 2002 and became Joint Deputy Chairman in November 2004. He was appointed Chairman in April 2006 and is Chairman of the Nominations Committee.

Geoffrey is the senior independent director of Close Brothers. He was formerly chairman of Nationwide Building Society, chairman of Railtrack Group plc, a director of Investec plc, a director and general counsel of Robert Fleming Holdings and managing partner of Clifford Chance.

**DOMINIC BURKE** GROUP CHIEF EXECUTIVE

Dominic Burke joined Jardine Lloyd Thompson in 2000, as the Chief Executive Officer of JLT's UK Retail and Employee Benefits business, following JLT's acquisition of his business, Burke Ford.

He was appointed a Director and Chief Operating Officer of Jardine Lloyd Thompson Group plc in January 2005 and was appointed Group Chief Executive in December 2005.

**MARK DRUMMOND BRADY** DEPUTY GROUP CEO

Mark Drummond Brady was appointed a Director of Jardine Lloyd Thompson Group plc in March 2011 and became the Deputy Group CEO in September 2014. Mark is also a member of the Group Executive Committee.

Mark has been with JLT since 1987 and has held a number of senior posts in the Group and was the Group's International Chairman of Risk & Insurance until September 2014.

In February 2017, Mark became CEO of JLT Latin America and Chairman of JLT Canada.

**CHARLES ROZES** GROUP FINANCE DIRECTOR

Charles Rozes joined Jardine Lloyd Thompson on 1 September 2015 as Group Finance Director. He is a member of the Group Executive Committee. He is also a Director of JLT India and a member of its Audit & Risk Committee.

He joined the Group from Barclays where, since 2011, he had held the role of global head of investor relations.

Prior to that, he was chief financial officer of Barclays UK Retail and Business Banking. Charles has also held senior roles at Bank of America, IBM and PricewaterhouseCoopers.

**ANNETTE COURT** SENIOR INDEPENDENT DIRECTOR ◆▲■

Annette Court was appointed a Non-Executive Director in August 2012. She is a member of the Audit & Risk, Remuneration and Nominations Committees. Annette was appointed as Senior Independent Director on 3 October 2017.

Annette has extensive insurance industry experience. Annette was appointed as a non-executive director of Admiral Group plc in 2012 and became its chairman on 26 April 2017. Between 2007 and 2010 she was chief executive officer, Europe General Insurance for Zurich Financial Services and a member of the group executive committee. She is a former chief executive officer of RBS Insurance, the insurance division of RBS Group which owned the Direct Line and Churchill brands. In the role she was also a member of the RBS group executive management committee. Annette was a non-executive director of Foxtons Group plc until May 2017 and has previously served as a member of the board of the ABI.

**ANDREW DIDHAM** NON-EXECUTIVE DIRECTOR ◆▲■

Andrew Didham was appointed a Non-Executive Director on 2 October 2017 and Chairman of the Audit & Risk Committee on 3 October 2017. Andrew is also a member of the Remuneration and Nominations Committees.

Andrew has been a non-executive director and chairman of the audit committee at Shawbrook Group plc since February 2017. He has been a non-executive director of Charles Stanley Group plc since September 2015, where he is also senior independent director, chairman of the risk committee and a member of the nominations, audit and remuneration committees.

Andrew was previously group finance director of Rothschild, the international investment banking group, from 1997 to 2012. He became an executive vice chairman of Rothschild in 2012 and remains a director of NM Rothschild & Sons, the UK business of the Rothschild group.

Andrew is a Chartered Accountant and before joining Rothschild he spent 18 years at KPMG/Thomson McLintock, including as a partner. His experience includes audit responsibility for a number of global financial institutions, assignments on behalf of the Bank of England and the EU, and extensive dealings with regulatory authorities in the UK, Europe, Asia, Australia and the USA.

**ADAM KESWICK** DEPUTY CHAIRMAN ◆▲

Adam Keswick was appointed a Non-Executive Director and Deputy Chairman on 1 September 2016. He is a member of the Remuneration and Nominations Committees.

Adam joined the Jardine Matheson Group in 2001 before being appointed to the Board in 2007. He was deputy managing director of Jardine Matheson Holdings Limited from 2012 to 2016, and became chairman of Matheson & Co. in 2016. He is also a director of Dairy Farm, Hongkong Land, Jardine Strategic, Mandarin Oriental and Ferrari, and a supervisory board member of Rothschild & Co. He is a director of the Yabuli China Entrepreneurs Forum.

**RICHARD MEDDINGS** NON-EXECUTIVE DIRECTOR ◆▲■

Richard Meddings was appointed a Non-Executive Director and Chairman of the Remuneration Committee on 2 October 2017 and is also member of the Audit & Risk and Nominations Committees.

Richard has been a non-executive director and chairman of the audit committee of Deutsche Bank AG since October 2015 and has been a non-executive director and chairman of the audit committee of HM Treasury since July 2014. In addition, Richard was appointed as a non-executive director of TSB Banking Group plc in September 2017 and chairman as of February 2018. Richard also serves as a trustee of Teach First.

Richard was previously a non-executive director of Legal & General Group plc and chairman of the group risk committee from December 2014 to May 2017. He was also a non-executive director of 3i Group plc from September 2008 to July 2014 and chair of the audit and risk committee (and from 2010 to 2014 was senior independent director).

Richard held executive management roles at Standard Chartered plc from 2002 to 2014, as group executive director, risk & control from 2002 to 2005 and as group finance director from 2006 to 2014. Prior to joining Standard Chartered, Richard spent nearly 20 years in a range of senior roles in the financial services sector.

Richard is a Chartered Accountant. He is a member of the governing body of the International Chamber of Commerce UK and a member of the Financial Reporting Review Panel.

**LORD SASSOON, Kt** NON-EXECUTIVE DIRECTOR ◆▲■

Lord Sassoon joined the Board as a Non-Executive Director in April 2013. He is a member of the Audit & Risk, Remuneration and Nominations Committees.

He began his career at KPMG, before joining S.G. Warburg (later UBS Warburg) in 1985. From 2002 to 2006 he was in the United Kingdom Treasury as a civil servant, where he had responsibility for financial services and enterprise policy. Following this, he chaired the Financial Action Task Force; and conducted a review of the UK's system of financial regulation.

From 2010 to 2013 Lord Sassoon was the first Commercial Secretary to the Treasury. He is also a director of Jardine Matheson Holdings, Matheson & Co., Dairy Farm, Hongkong Land and Mandarin Oriental. He is chairman of the China-Britain Business Council and a trustee of the British Museum.

**NICHOLAS WALSH** NON-EXECUTIVE DIRECTOR ◆▲■

Nicholas Walsh joined the Board as a Non-Executive Director in October 2014. He is a member of the Audit & Risk, Remuneration and Nominations Committees.

He has held a variety of underwriting, distribution and senior management roles in the insurance industry, with a career of 42 years with American International Group, Inc. (AIG). His most recent roles were vice chairman of AIG Property & Casualty Inc. and chairman of AIG Europe Limited and AIG Asia Pacific Insurance Pte. Ltd. Prior to this he was president and CEO of American International Underwriters.

Nicholas is an adviser to Norton Rose Fulbright.

◆ Nominations Committee
▲ Remuneration Committee
■ Audit & Risk Committee

## GOVERNANCE FRAMEWORK

The Board and its Committees operate within a wider governance framework. This ensures that decisions are taken at the right level in the business by the people best placed to take them. Our framework is designed to maintain high standards of governance.

The work of the Board is supported by the Audit & Risk, Remuneration and Nominations Committees. The roles and activities of the Committees are described in more detail in the Reports of the respective Committees on pages 67 to 90. Terms of reference for each of the Committees, which are reviewed regularly, can be found on the Company's website, jlt.com.

The Board has delegated the day-to-day management of the Group, development of the Group's strategic direction (for consideration and approval by the Board) and implementation of the agreed strategy to the Group Chief Executive, Dominic Burke. The Group Executive Committee operates to support the Group Chief Executive in the running of the Group and comprehensive Group Delegated Authorities govern the taking of all significant decisions and the provision of approval for a broad range of matters. Further details of the composition of the Group Executive Committee can be found on page 26.

In addition, the Group has a Disclosure Committee which oversees the Company's compliance with the Group's disclosure obligations. The Disclosure Committee is not a Committee of the Board, but reports to the Board or to the Group Audit & Risk Committee as appropriate. The Committee is chaired by Charles Rozes, Group Finance Director.

## STRUCTURE AT A GLANCE

The structure below sets out the composition of the Board and its Committees as at 31 December 2017:

**Jardine Lloyd Thompson Group plc**

**JLT Group Board**
Geoffrey Howe (Non-Executive Chairman)

**Non-Executive Directors**
Adam Keswick (Deputy Chairman)
Annette Court (Senior Independent Director)
Andrew Didham
Richard Meddings
Lord Sassoon
Nicholas Walsh

**Executive Directors**
Dominic Burke (Group Chief Executive)
Mark Drummond Brady (Deputy Group CEO)
Charles Rozes (Group Finance Director)

**Audit & Risk Committee**
Andrew Didham (Chairman)
Annette Court
Richard Meddings
Lord Sassoon
Nicholas Walsh

**Remuneration Committee**
Richard Meddings (Chairman)
Annette Court
Andrew Didham
Adam Keswick
Lord Sassoon
Nicholas Walsh

**Nominations Committee**
Geoffrey Howe (Chairman)
Annette Court
Andrew Didham
Adam Keswick
Richard Meddings
Lord Sassoon
Nicholas Walsh

## THE ROLE OF THE BOARD

The Board is collectively responsible for approving and overseeing the implementation of the Group's strategy to create and deliver long term value for our shareholders in a way that is supported by the right culture, values and behaviours across the Group.

The Board is also responsible for reviewing the performance of management; ensuring that appropriate systems of internal controls and risk management are in place; and that the provision of the right resources are in place throughout the Group.

The Board has established a schedule of reserved matters which include the aforementioned areas of responsibility, as well as a range of other areas, including the approval of financial results announcements, the Annual Report and Accounts and shareholder circulars; decisions relating to the Group's capital structure; approval of dividend recommendations; and the approval of material acquisitions and disposals.

## DIRECTORS

At the date of this Report the Board comprised the Chairman, who was independent on appointment, the Group Chief Executive, Group Finance Director, Deputy Group CEO, four Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. During the year Bruce Carnegie-Brown and Jonathan Dawson left the Board and Andrew Didham and Richard Meddings were appointed as Independent Non-Executive Directors. Lynne Peacock has also been appointed as an Independent Non-Executive Director with effect from 1 May 2018.

## CHAIRMAN

The Chairman's role is to:

- lead the Board by providing direction and focus;
- ensure that there is a clear structure for the effective operation of the Board and its Committees;
- set the agenda for Board discussions and promote effective and constructive debate and a sound decision-making process;
- ensure that the Directors receive accurate, timely and clear information and that effective communication takes place with the Company's shareholders;
- work closely with the Group Chief Executive to ensure that the strategies and actions agreed by the Board are effectively implemented; and
- provide support and advice to the Group Chief Executive, while respecting his executive responsibility for managing the Group.

The division of responsibilities between the Chairman and the Group Chief Executive has been clearly defined and has been agreed by the Board.

## GROUP CHIEF EXECUTIVE

The role of the Group Chief Executive is to:

- manage the overall direction and management of the Group;
- develop and agree, with the Chairman and the Board, the Group's strategy and key performance indicators;
- formulate and agree budgets;
- develop remuneration proposals for consideration by the Remuneration Committee;
- build and maintain the Company's standing with shareholders and financial institutions and the public;
- consult the Chairman on all significant matters;
- ensure that appropriate systems of control, organisational and management structures, and culture exist in the Group; and
- ensure that the Group's strategy is effectively implemented and the interests of the Group's stakeholders are promoted.

## NON-EXECUTIVE DIRECTORS

The Non-Executive Directors perform a vital role in corporate accountability. The role of the Non-Executive Directors is to:

- provide a strong independent element to the Board and offer constructive challenge to, and support for, management;
- bring an appropriate breadth of skills and experience to the Board;
- together with the rest of the Board, satisfy themselves that the Group's financial controls and systems of risk management are robust and effective; and
- contribute to the effective functioning of the Board's Committees.

## SENIOR INDEPENDENT DIRECTOR

The role of the Senior Independent Director is to:

- act as a sounding board for the Chairman and an intermediary for other Directors;
- bring experience and independent judgement to the Board;
- lead the Chairman's annual performance evaluation; and
- be available as an additional point of contact for shareholders to discuss matters of concern which would not be appropriate through normal communication channels with the Chairman, Chief Executive or Group Finance Director. No such matters of concern were raised by shareholders during the year or by 22 February 2018, being the latest practicable date prior to the date of the Report.

## GROUP COMPANY SECRETARY

The role of the Group Company Secretary is to:

- act as Secretary to the Board and all of its Committees;
- support the smooth operation of each of these bodies by working with the Group Chairman and Chairmen of the Committees;
- advise the Directors on Board procedures and corporate governance matters; and
- support the Chairman in ensuring compliance with relevant legal and regulatory requirements.

## INDEPENDENT ADVICE

The Company ensures that, if required, its Directors have access to independent professional advice at the Company's expense, relating to the performance of any aspect of their duties. This is facilitated by the Group Company Secretary, who is also available to each Board member for consultation as required.

## DIRECTORS' AND OFFICERS' INSURANCE COVER

The Group maintains Directors' and Officers' Insurance cover for the benefit of individuals and this cover is reviewed annually to ensure that its scope remains appropriate.

## DIRECTORS' CONFLICTS OF INTEREST

Under the Companies Act 2006, all Directors have a duty to avoid conflicts of interest and disclose any interests and outside appointments. The Board has formal processes in place for the declaration and management of conflicts of interest and the Group Company Secretary maintains a Conflicts of Interest Register. On appointment, new Directors are advised of the process for dealing with conflicts of interest and Directors' interests are reviewed on an ongoing basis, as well as annually as part of the year end process. JLT's relationship with Jardine Matheson is discussed on page 66.

## DIRECTORS' ELECTION AND RE-ELECTION

In accordance with the requirements of the Code, newly appointed Directors and all existing Directors submit themselves for election or re-election, as the case may be, at the Company's Annual General Meeting.

Andrew Didham and Richard Meddings, who were appointed to the Board with effect from 2 October 2017, together with Lynne Peacock who joins the Board with effect from 1 May 2018, will be proposed for election at the Company's AGM. All other Directors will be proposed for re-election.

The Board recommends the election or re-election, as the case may be, of each member of the Board based upon their skills, experience and contribution to the Board and its Committees.

## BOARD EXPERIENCE AND BALANCE

Following review, the Board remains satisfied that it continues to have the appropriate balance of expertise, experience, independence and knowledge to run the business effectively and to deliver long-term shareholder value. The chart below provides an overview of the experience of each of the current Directors.

| | Position as at 31 Dec 2017 | Length of service as Board member as at 31 Dec 2017 | Independent?* | Other public board experience | Operational experience | Insurance industry experience | International experience | Legal/M&A experience | Finance experience | Government experience |
|---|---|---|---|---|---|---|---|---|---|---|
| Geoffrey Howe | Non-Executive Chairman | 16 years | No | • | | • | • | • | • | |
| Annette Court | Senior Independent Director | 5 years, 5 months | Yes | • | • | • | • | • | | |
| Andrew Didham | Non-Executive Director | 3 months | Yes | • | • | | • | • | • | |
| Richard Meddings | Non-Executive Director | 3 months | Yes | • | • | • | • | • | • | |
| Nicholas Walsh | Non-Executive Director | 3 years, 3 months | Yes | | • | • | • | • | | |
| Lord Sassoon | Non-Executive Director | 4 years, 8 months | No | • | • | | • | • | • | • |
| Adam Keswick | Deputy Chairman | 1 year, 4 months | No | • | • | | • | | • | |
| Dominic Burke | Group Chief Executive | 13 years | N/A | • | • | • | • | • | • | |
| Mark Drummond Brady | Deputy Group CEO | 6 years, 10 months | N/A | | • | • | • | • | | |
| Charles Rozes | Group Finance Director | 2 years, 4 months | N/A | | • | | • | • | • | |

* Taking into account all relevant factors set out in the Code, the independence of the Non-Executive Directors has been assessed as indicated. Lynne Peacock will join the Board as an additional Independent Non-Executive Director on 1 May 2018.

## BOARD DIVERSITY

The Board supports the Code's recommendation that diversity and gender should be considered when making Director appointments. The Board seeks to ensure that it has the right balance of skills, experience, independence and knowledge to enable it to achieve its objectives and discharge its responsibilities and duties effectively. The Board's policy is to select the best candidate irrespective of background.

The Company has taken, and continues to take, steps to promote diversity and inclusion, including gender diversity, both at senior management level and in the boardroom. During the year the business has continued to progress its diversity programme. Further information is available in the Nominations Committee Report on page 75 and the Corporate Responsibility Report on pages 50 and 51.

## SUCCESSION PLANNING

Succession planning and talent development has been an important focus for the Board and its Committees in the year. Substantial progress has been made in promoting talent across the Group and the Board is confident that there is a strong senior management succession pipeline.

During the year management worked with external consultants to carry out a review of the leadership capability and potential of a cohort of nearly 40 of JLT's senior managers. The review focused on the capability of the cohort as leaders within JLT, using the Group's five pillar leadership model, measuring their leadership potential using a number of external tools and against a large group of executives in other businesses. The exercise was seen as important in assessing the strength of JLT's leadership team and how well positioned it was to drive JLT forward. The results of the review indicated that JLT's cohort had strong leadership in core areas and an appropriate succession pipeline. Training and development plans, with appropriate coaching and mentoring, are being tailored to help individuals meet their individual development needs.

The Group operates a range of programmes focused on the development of future leaders, including its International Senior Managers Programme (ISMP) and its Emerging Leaders Programme. More details on the ISMP can be found on page 7.

During the year the Nominations Committee discussed succession planning for the Group Chief Executive and the Group Chairman.

The work of the Nominations Committee in respect of succession planning is described in greater detail in the Nominations Committee Report on pages 75 and 77.

## BOARD MEETINGS

A forward agenda for the Board is maintained to ensure that all necessary and appropriate matters are covered during the year and to allow sufficient time for discussion and debate. The Board receives papers and presentations from the Executive Directors and senior managers are regularly invited to attend to provide further detailed insight on specific matters.

The Board met on seven scheduled occasions throughout the year, including a strategy day, and attendance at those meetings is set out below.

| | Eligible to attend | Attended |
|---|---|---|
| Geoffrey Howe | 7 | 7 |
| Dominic Burke | 7 | 7 |
| Mark Drummond-Brady[1] | 7 | 6 |
| Charles Rozes | 7 | 7 |
| Bruce Carnegie-Brown[2] | 4 | 4 |
| Annette Court | 7 | 7 |
| Jonathan Dawson[3] | 6 | 6 |
| Andrew Didham[4] | 2 | 2 |
| Adam Keswick | 7 | 7 |
| Richard Meddings[4] | 2 | 2 |
| Lord Sassoon | 7 | 7 |
| Nicholas Walsh | 7 | 7 |

1. Mark Drummond Brady did not attend the Board meeting held on 27 April 2017 due to overseas business commitments
2. Bruce Carnegie-Brown retired from the Board on 14 June 2017
3. Jonathan Dawson retired from the Board on 3 October 2017
4. Andrew Didham and Richard Meddings were appointed to the Board on 2 October 2017

The Board also convened by telephone on three occasions during the year to approve the final form of the Q1 Interim Management Statement (IMS), the Interim Results Statement and the Q3 IMS.

If a Director is unable to attend a Board meeting they are invited to provide feedback on Board papers ahead of the meeting and are provided with an update after the meeting of the key issues which were discussed.

The Directors' attendance at Committee meetings is set out in the respective Committee Reports on pages 67 to 90.

The Chairman also met with Non-Executive Directors during the year without management being present.

## HOW THE BOARD SPENT ITS TIME IN 2017

The table below provides a high level overview of the Board's main areas of focus and how it spent its time in 2017:

| | January | February | April | June (Strategy day) | July | October | December |
|---|---|---|---|---|---|---|---|
| **Strategy** | | | | | | | |
| Group Strategy | • | • | • | • | • | | • |
| Three Year Plan | | | | • | | | |
| Global Transformation Programme | | | | • | | • | • |
| **Reporting** | | | | | | | |
| CEO Report | • | • | • | | • | • | • |
| FD Report | • | • | • | | • | • | • |
| Financial Performance | • | • | • | | • | • | • |
| Business Presentations | • | • | • | | | | |
| Business Unit Reports | • | • | • | | • | • | • |
| **Financial** | | | | | | | |
| Budget | • | | | | | | |
| Capital Structure & Funding | | • | | • | | | • |
| Treasury Report | • | • | • | | • | • | |
| Dividend | | • | | | • | | |
| IFRS 15 and 9 Implementation | | • | • | | | • | |
| Year End Process | • | • | | | | | |
| Interim Process | | | | | • | | |
| **Corporate** | | | | | | | |
| M&A Activity | • | • | • | | • | • | • |
| Board Objectives/Evaluation | • | • | • | | | | • |
| Committee Reports | • | • | | | • | • | • |
| Directors Conflicts of Interest Review | | • | | | | | |
| Legal Report | • | • | • | | • | • | • |
| **Communications/Engagement** | | | | | | | |
| Investor Relations Update | • | • | • | | • | • | • |
| Employee Feedback | • | | | | | | |
| Insurance Carrier Feedback | | | | | | • | |
| Client Feedback | | | • | | | | |

The Group Chief Executive provided regular updates to the Board on business performance and developments, operations, market trends, M&A activity, people matters and investor engagement. The Group Finance Director also regularly updated the Board in relation to the Group's financial performance against budgets and targets, as well as in respect of accounting, pension, tax and treasury matters.

The Board received updates on the work of its Committees following each Committee meeting. It discussed regular reports from the Group General Counsel regarding litigation and regulatory matters and also received updates from the Group Company Secretary in relation to governance developments and routine governance matters.

The Board reviewed the Annual Report, interim results and interim management statements. It considered the assessments of the going concern and viability statements, the Group's principal risks and the effectiveness of the Group's systems of risk management and internal controls.

The Board also discussed updates on the views of stakeholders during the year, including feedback from employees, shareholders, clients and insurance carriers.

During the year, the Board held a strategy day at which a range of issues were discussed, including the macroeconomic environment, the market context in which the Group operates and the re-examination of the Group's strategy, which is described in more detail in the Strategic Report on pages 22 to 24.

## DIRECTORS' INDUCTION AND DIRECTORS' TRAINING

An induction programme is provided to new Directors which is tailored to their roles on the Board and its Committees. The programme is designed to provide new Non-Executive Directors with an understanding of the Group, its business and the markets in which it operates. It also provides a briefing on Directors' responsibilities and the governance framework within which the Board operates. The programme provides Directors with the opportunity to meet and establish relationships with key people in the business as well as the Group's key advisers.

A tailored induction programme was agreed for the new Directors, Andrew Didham and Richard Meddings, who joined the Board during the year. The programme was facilitated by the Chairman and the Group Company Secretary. It involved in-depth introductory meetings with a range of key people, including the Executive Directors, the members of the GEC and other function heads, including the Group Head of Internal Audit; the Group Head of Risk and Compliance; the Group Treasurer; the Group Human Resources Director; and the Group Company Secretary. Meetings were also arranged with the Group's auditor, corporate brokers and public relations/ media advisers.

The programme of meetings was supported by the provision of a range of background information about JLT and its business, the Board and general guidance on the duties and responsibilities of a listed company director.

Members of the Board and its Committees are provided with regular training in order to keep them abreast of industry and legal and regulatory developments, facilitated by professional advisers where appropriate. During the year Directors were provided with briefings on new accounting developments, including the introduction of IFRS 15 and IFRS 9; data protection issues, including the implementation of the General Data Protection Regulation; the actions being taken by the Group to manage cyber risks; and governance developments, including the governance green papers issued by the UK government and the consultation launched by the FRC on a replacement for the Code.

Directors are encouraged to visit different parts of the business on a regular basis in order to enhance their understanding of those businesses and the key issues they face.

## INFORMATION

The Board and its Committees receive briefing papers and information prior to meetings to ensure Directors are fully briefed on the matters for discussion.

Directors also have access to the Group Company Secretary and senior management should they wish to receive additional information on any of the items for discussion.

## BOARD PERFORMANCE REVIEW

The Board's performance is reviewed annually. Following an externally led review of the Board and its Committees in 2016, an internally facilitated review was conducted in 2017. The results of the review were generally very positive, and the Board was seen as functioning well and covering the right ground. Discussions were considered to be of a high quality and there was felt to be open and constructive debate pitched at the right level, with effective challenge where appropriate. The Board was seen as being particularly effective at managing performance and risk, as well as investment appraisal, and had a clear approach to strategy.

A number of recommendations were made as to how to increase the effectiveness of the Board further, including reviewing the breadth of skills and experience on the Board in the context of its future needs; reviewing the pipeline of top talent in the business; and adopting improvements to Board processes. The Chairman also met with each individual Director to discuss performance as well as any training and development needs.

The Senior Independent Director, Annette Court, led a review of the performance of the Chairman, the results of which were very positive, and concluded that he continues to provide effective leadership to the Board.

Following these processes, the Board remains satisfied that, in line with the Code, all the Directors have sufficient time to carry out their responsibilities as Directors effectively.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Executive Directors and senior management.

The Board is responsible for determining the nature and extent of any significant risks the Group is willing to take in order to achieve its strategic objectives, as well as for maintaining sound risk management and internal control systems to ensure that an appropriate culture is embedded throughout the Group. Owing to the limitation inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss.

The Group's risk management and internal control systems comprise Group policies, procedures and practices covering a range of areas, including the appropriate authorisation and approval of transactions, the application of financial reporting standards and the review of financial performance and significant judgements.

The Board monitors the effectiveness of the Group's systems of internal control carefully throughout the year and carries out an annual review covering their adequacy and effectiveness. The Board has delegated part of this responsibility to the Audit & Risk Committee. The role and work of the Audit & Risk Committee in this regard and the role of the Group's Internal Audit function are described in the Audit & Risk Committee Report on pages 67 to 74.

### CULTURE AND ETHICS

The Board recognises the importance of demonstrating its full support for ethical conduct and leadership. During the year, the Board considered the subject of culture and ethics in the context of JLT's style, tone and organisation. The Board has a strong focus on ensuring that there is a continuing open and straightforward culture of integrity and honesty across the Group, and that the behaviour of employees ensures that the Group is compliant with applicable legal and regulatory requirements.

The Board takes the views of its staff seriously and regularly provides an opportunity to provide feedback. In 2017, the Board considered the results of an employee engagement survey, which emphasised that JLT's culture of collaboration, inventiveness, agility and client centricity was seen as remaining strong.

During the year the Company refreshed and reissued its Employee Handbook, which emphasises the importance of JLT's culture of compliance. In addition, employees are required to undertake regular training courses, including online training, covering a range of ethical, legal and regulatory issues, such as the prevention of bribery and corruption, sanctions, data security and market abuse.

JLT has published its Code of Ethical Conduct on its website, jlt.com, along with its modern slavery policy.

## RELATIONSHIPS WITH SHAREHOLDERS

### ENGAGEMENT WITH SHAREHOLDERS

Our Board welcomes the opportunity to engage openly with shareholders as it recognises the importance of a continuing effective dialogue, whether with major institutional investors, private shareholders or employee shareholders. The Board is regularly updated on shareholder views.

The Board aims to ensure that investors understand the Group's strategy and objectives. The Chief Executive Officer and Group Finance Director are closely involved with investor relations, together with the Group Head of Investor Relations.

In addition, the Chairman and Non-Executive Directors are available to discuss matters with institutional shareholders and the Board is also available at the Annual General Meeting to respond to questions. The Investor Relations team arranges communication with institutional shareholders with a combination of analyst briefings and presentations, including at the annual and half year results. In addition, the Company's website, jlt.com, has an investor section which contains further information about the Company and details of regulatory news releases which may be of interest to shareholders.

Following a tender held during the year, Barclays were appointed as joint corporate brokers to the Company alongside JP Morgan. The addresses of the Group's brokers can be found on page 178. The Company regularly consults its brokers in relation to disclosure matters.

### RELATIONSHIP WITH JARDINE MATHESON GROUP

The Group continued to have a number of arm's-length trading links with the Jardine Matheson group of companies during the financial year, which are set out in note 32 on page 160. At 22 February 2018 (being the latest practicable date prior to the date of this Report), Jardine Matheson Holdings Limited (Jardine Matheson Holdings) had an interest in 40.16% of the Company's issued share capital. This interest is held through JMH Investments Limited, a wholly-owned subsidiary of Jardine Matheson Holdings.

The Company entered into a Relationship Agreement on 23 October 2014, as required by Listing Rule 9.2.2AR(2)(a), and in March 2016 an amended Relationship Agreement was signed with Jardine Matheson Holdings. The Agreement is intended to ensure that Jardine Matheson Holdings, as the Group's controlling shareholder, complies with certain independence provisions. It contains undertakings that transactions and arrangements with Jardine Matheson Holdings and/or any of its associates will be conducted at arm's-length and on normal commercial terms; that neither Jardine Matheson Holdings nor its associates will take any action which could prevent the Company from complying with its Listing Rules obligations; and that neither Jardine Matheson Holdings nor its associates will propose any shareholder resolution intended to circumvent the proper application of the Listing Rules.

The Board confirms that, since the date of entry into the Agreement, the Group has complied with its provisions and that, so far as the Company is aware, Jardine Matheson Holdings and its associates have also complied with the independence and procurement obligations set out in the Agreement.

The updated Agreement formalised the processes the Company has in place to control the provision of information to Jardine Matheson and clarified when and how information may be requested by Jardine Matheson from JLT.

# AUDIT & RISK COMMITTEE REPORT

> "The Committee has continued to play a crucial role in providing comfort to the Board on the integrity of the Group's processes and procedures relating to financial reporting, internal control and risk management."

Andrew Didham

## INTRODUCTION FROM THE COMMITTEE CHAIRMAN

I am pleased to present the Audit & Risk Committee Report for the year ended 31 December 2017.

I became Chairman of the Committee on 3 October 2017, upon the retirement of Jonathan Dawson, who had been Chairman of the Committee since March 2013. On behalf of the Committee I would like to thank Jonathan for his strong leadership of the Committee over the past four years and wish him well for the future.

The Committee has continued to play a crucial role in providing comfort to the Board on the integrity of the Group's processes and procedures relating to financial reporting, internal control and risk management.

This report highlights the extensive work carried out by the Committee during 2017, including its continued focus on the risks and controls in key areas of the Group's businesses. The Committee's work has reflected the further expansion of the Group's geographical footprint, including in the US and Asia; external challenges affecting the Group's key risk exposures; and internal changes in business organisation, structure and leadership.

The Committee has carried out a number of in-depth risk reviews during the year. This included thematic reviews in respect of cyber risk, business continuity and Brexit.

The Committee remains focused on ensuring that relevant laws and regulations are complied with, and that the business operates within the right control framework. During the year the Committee monitored key compliance activities, including the development and implementation of systems and controls to address the requirements of the new General Data Protection Regulation, the Senior Managers and Certification Regime and the Criminal Finances Act 2017.

The Committee continued to oversee preparations for the implementation of new accounting standards, in particular IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', as further described in the Significant Accounting Policies in the financial statements.

The Committee continues to focus on these key areas in 2018.

As part of its role, the Committee supported the Board in its assessment of whether the Annual Report and Financial Statements are fair, balanced and understandable and provide sufficient information to allow an assessment of the Group's position and performance, business model and strategy.

The Committee also considered in detail management's assessment of the going concern and viability statements and the underlying models and assumptions used, prior to their consideration by the Board.

Finally, in addition to Jonathan Dawson's retirement and my joining the Committee, there have been other changes to the composition of the Committee during the year. Bruce Carnegie-Brown retired from the Committee and the Board in June 2017, following his appointment as Chairman of Lloyd's of London. Richard Meddings joined the Committee on 2 October 2017, bringing a broad range of skills and experience, including many years as a finance director and as a Chartered Accountant.

Andrew Didham

**Andrew Didham**
Chairman, Audit & Risk Committee
28 February 2018

## COMMITTEE COMPOSITION, SKILLS AND EXPERIENCE

The members of the Audit & Risk Committee who served during the year are listed in the table below.

| Committee Members during the year |
|---|
| Andrew Didham (Chairman) (joined 2 October 2017) |
| Bruce Carnegie-Brown (retired on 14 June 2017) |
| Annette Court |
| Jonathan Dawson (retired on 3 October 2017) |
| Richard Meddings (joined 2 October 2017) |
| Lord Sassoon |
| Nicholas Walsh |

The UK Corporate Governance Code 2016 (the Code) requires the Board to establish an audit committee of at least three independent, Non-Executive Directors. The Committee currently comprises five Non-Executive Directors, of which four are independent.

The Board is satisfied that Andrew Didham and Richard Meddings each possess recent and relevant financial experience for the purposes of the Code and the requisite competence in accounting. In addition, the Board considers that the Committee as a whole has competence relevant to the sector in which JLT operates. The experience and expertise of Committee members is set out on page 62 and in their biographies on pages 58 and 59.

In addition to the Committee members, a number of other people routinely attend meetings by invitation. The list of the additional invitees is set out in the following table:

| Meeting Attendees |
|---|
| Group Company Secretary |
| Group Chairman |
| Group Chief Executive |
| Deputy Group CEO |
| Group Finance Director |
| Group Head of Internal Audit |
| Group Head of Risk and Compliance |
| Group Chief Operating Officer |
| Group General Counsel |
| External Auditor |

## COMMITTEE MEETINGS AND ATTENDANCE

The Committee held six scheduled meetings during the 2017 financial year. Each meeting agenda was designed to reflect the Company's financial reporting cycle and to incorporate other matters of importance to the Committee. The Committee has a forward planner which is designed to ensure that the Committee discharges its responsibilities in full during the year.

The Chairman of the Committee reports to the Board after each meeting and Committee meetings are scheduled close to Board meetings in order to facilitate a timely reporting process.

The table below shows the Committee members during the year and their attendance at scheduled meetings.

| Committee members | Scheduled meetings eligible to attend | Attended |
|---|---|---|
| Andrew Didham[1] | 2 | 2 |
| Bruce Carnegie-Brown[3] | 3 | 3 |
| Annette Court | 6 | 6 |
| Jonathan Dawson[2] | 5 | 5 |
| Richard Meddings[4] | 2 | 2 |
| Lord Sassoon | 6 | 6 |
| Nicholas Walsh | 6 | 6 |

1. Andrew Didham joined the Committee on 2 October 2017 and became Chairman on 3 October 2017.
2. Jonathan Dawson retired on 3 October 2017.
3. Bruce Carnegie-Brown retired on 14 June 2017.
4. Richard Meddings joined the Committee on 2 October 2017.

Additional ad hoc meetings may also be held as and when necessary.

During the year the Committee also held separate sessions with Group Internal Audit and the external auditor in order to provide additional opportunity for open dialogue and feedback without management being present. The Chairman of the Committee also met with the Group Finance Director, Group Head of Internal Audit, Group Head of Risk and Compliance and Group Company Secretary on an ad hoc basis, and prior to each Committee meeting.

## COMMITTEE ROLE AND RESPONSIBILITIES

The role of the Committee is to provide oversight and advice to the Board on matters of financial reporting, financial controls and risk management, together with the assessment and reporting of key risks, whilst maintaining an appropriate relationship with the Company's external auditor.

The business of the Committee is closely linked to the Group's internal calendar of events and external financial reporting cycle. The Committee works independently of management and liaises with other Group Committees. Cross-membership between each of the Group Committees ensures that members have a better understanding of the work of each Committee and that communication is more efficient.

The Committee's role and responsibilities are set out in its terms of reference, which were updated in October 2017 and which can be found on the Company's website, jlt.com. The Committee's responsibilities include:

| Role and Responsibilities of the Audit & Risk Committee | |
|---|---|
| **Financial Reporting** | Monitoring and review of the integrity of the financial statements of the Group, any formal announcements relating to the Group's financial performance and significant financial reporting judgements contained therein. |
| **Narrative Reporting** | Reviewing the Annual Report and Financial Statements and advising the Board on the process to confirm whether it is fair, balanced and understandable and provides shareholders with sufficient information to assess the Company's position and performance, business model and strategy. |
| **Internal Controls** | Monitoring and reviewing the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, as well as reviewing and addressing audit findings. |
| **Risk Management** | Monitoring and review of the Group's risk management framework, risk appetite and risk strategy to ensure that these are appropriate for the activities of the Group.<br>Ensuring that appropriate arrangements are in place to effectively manage and mitigate material risks facing the Group.<br>Review of thematic and business risk reviews and business continuity plans. |
| **External Audit** | Monitoring and review of the effectiveness of the external audit process, taking into consideration relevant professional and regulatory requirements.<br>Monitoring and review of the external auditor's independence and objectivity, together with the policy on the engagement of the external auditor to supply non-audit services.<br>Consideration of the appointment of the external auditor, the nature and scope of the external audit and approval of the audit fee. |
| **Internal Audit** | Monitoring and review of the effectiveness of the Group's Internal Audit function in the context of the overall risk management system and ensuring that the function is adequately resourced and has appropriate standing within the Group.<br>Agreeing internal audit plans, reviewing reports of internal audit work and reviewing management's responsiveness to control observations made by the internal auditor. |
| **Compliance** | Discussing relevant compliance and governance issues and reviewing the implications of new legislation and regulation. |
| **Whistleblowing** | Monitoring and review of the Group's arrangements by which employees and contractors may, in confidence, raise concerns about possible improprieties in financial reporting and other matters. |
| **IT Security** | Monitoring and review of the steps taken by the Group to ensure IT resilience and cyber security. |

## COMMITTEE ACTIVITIES

The table below highlights some of the main activities carried out by the Committee during 2017.

| | January | February | April | July | October | December |
|---|---|---|---|---|---|---|
| **Financials** | | | | | | |
| Review of draft Preliminary Results Statement | | • | | | | |
| Review of draft Annual Report & Financial Statements | • | • | | | | • |
| Viability/Going Concern Review | | • | | | | • |
| Group Finance update | | • | • | • | • | • |
| **External Audit** | | | | | | |
| PwC reports | • | • | | • | | • |
| Consideration of the Audit Plan | | | | • | | |
| Audit fees | | • | | | | • |
| Non-Audit fees | | • | | • | | |
| Auditor independence | | • | | • | | |
| External Audit Effectiveness Review | | | | • | | |
| **Other Activity** | | | | | | |
| Internal Audit reports | • | • | • | • | | • |
| External Audit report | • | • | | • | | |
| Annual Review of Systems of Internal Control | | • | | | | |
| Risk Management & Compliance reports | • | • | • | • | • | • |
| In-depth Risk Reviews* | • | • | • | • | • | • |
| Committee evaluation | | • | | | | |

* Denotes thematic risk, specific business unit or function review

In order to satisfy its responsibilities the Committee, in the ordinary course of business, reviewed a wide range of matters, including:

- the drafting of the interim report, preliminary announcement and relevant sections of the Annual Report and Financial Statements before their submission to the Board;
- reports from the Group Finance Director, including updates on currency exposures, the treatment of exceptional items, key accounting judgements, market counterparty security, the Group insurance programme and financial reporting standards and controls;
- reports from the Group Head of Internal Audit on areas where control weaknesses had been identified, together with the mitigation and remediation plans of management, the activities within the function and resourcing matters;
- reports from the Group Head of Internal Audit in respect of the overall control environment;
- reports from the Group Head of Risk, including updates on dealings with the regulators in the UK and in other jurisdictions;
- reports from the Company's external auditor, including in respect of financial reporting and accounting matters;
- reports on the management of professional indemnity risk exposure and the extent of any litigation or other provisions held; and
- the effectiveness of the Committee.

In addition to its regular agenda of matters, the Committee considered key and emerging risks in a number of business areas, which were supported by 'Risk Review' presentations delivered by senior management and, in some cases, the Chairman of the Audit & Risk Committee of the relevant business area.

| Key business areas reviewed | |
|---|---|
| US Specialty | Insurance Management |
| JLT Europe | Canada |
| UK Employee Benefits | Middle East and Africa |
| India | |

The Committee also considered the following thematic topics during the year:

- a review of the increasing challenges associated with IT security and, in particular, cyber risk;
- a review of global sanctions regimes and their application across the Group;
- the implementation of a consistent limitation of liability programme across the Group, commensurate with the type and nature of services that each business offers;
- a review of financial accounting developments;
- ongoing review of the key risks and themes of Brexit;
- the further development and implementation of the Group's business continuity plans and framework;
- a range of matters in relation to the regulatory environment, including MiFID II, the General Data Protection Regulation, the Senior Managers and Certification Regime and the Criminal Finances Act 2017. The Committee reviewed the work performed by the Group in the year to assess and respond to the implications for the business arising from the new regulations and to prepare the Group for compliance;
- the risk scenario analysis underpinning the Group's viability and going concern statements to be included in the Annual Report and Financial Statements;
- themes relating to the development of the Group's internal control environment framework; and
- regular reviews of compliance monitoring.

The Committee is focused on ensuring that the Group complies with its regulatory obligations and monitors current and emerging developments, including reviews and investigations carried out by regulators in the jurisdictions in which the Group operates. The Committee discussed reports during the year in respect of a number of regulatory developments, reviews and investigations, including:

- an FCA market-wide study of competition in the wholesale insurance broker sector;
- an FCA review of IT resilience and capabilities across the financial services sector;
- JLT's participation, following a market study into the asset management sector by the FCA, in a Competition and Markets Authority review of investment consultancy and fiduciary management services in the UK;
- an FCA conduct and anti-competition review concerning aviation broking, the competition aspect of which has now been passed to the European Commission for investigation; and
- the ongoing review by the Financial Conduct Authority of enhanced transfer value pension products previously sold by a number of market participants.

The Group continues to assist the relevant regulators with their reviews and is monitoring developments closely.

### Business Audit & Risk Committees ('Entity ARCs')

JLT operates Entity ARCs as part of its global governance across the Group. Each Entity ARC is provided with a template planner to ensure that all matters in the terms of reference are addressed during the year. The Entity ARCs focus on the oversight of risk registers, emerging risks and financial reporting, together with their regulatory and compliance responsibilities and the review of reports from Internal Audit. Entity ARCs are typically chaired by a Non-Executive Director and have a formal reporting process to the Group Audit & Risk Committee.

The Committee Chairman meets periodically with the Chairs of Entity ARCs to discuss common themes and emerging risks and to share areas of best practice across the Group.

## SIGNIFICANT FINANCIAL STATEMENT ISSUES CONSIDERED BY THE COMMITTEE

The Committee considered the following significant issues in the year, taking account of the views of the Company's external auditor.

| Issue | How the issue was addressed by the Committee |
|---|---|
| **Pension Liability Valuation** | The Committee discussed the maintenance of complete and accurate pension scheme data on which the pension liability assumptions are based and noted that no exceptions had been found from testing. The Committee considered the appropriateness of the methodology used by management including the key assumptions used to value the pension liabilities.<br>The key assumptions include the appropriateness of the discount rate used for the UK scheme by reference to the iBoxx AA 15+ corporate bond index; the adjustment made by management to match the duration of the liabilities and compared this to assumptions adopted by other schemes with a similar duration; the rates used by management for each of these elements to the Bank of England inflation curve; and the appropriateness of the base tables selected for use by management by reference to the mortality experience analysis, completed by the UK Pension Scheme Trustees as part of the 2014 funding valuation.<br>The Committee concluded that the key assumptions made were reasonable and that the overall pension deficit is appropriately calculated. |
| **Intangibles Impairment Assessment** | The Committee reviewed management's process for testing goodwill and other intangible assets for potential impairment. This included the results of management's impairment assessment, including an assessment of the appropriateness of the methodology used to perform this. The Committee considered the appropriateness of the key assumptions within management's valuation, in particular the terminal growth rates in the forecasts, by comparing them to economic and industry forecasts; and the weighted average cost of capital by assessing the cost of capital for the Company and comparable organisations. The Committee considered the substantive testing results performed by the Company's external auditor of all inputs into the valuation, for example agreeing to approved budgets and checking historical performance against the budget. The Committee concluded that the impairment assessment results are appropriate. |
| **Litigation Provisions** | The Committee members received and reviewed errors and omissions and other litigation reports addressing key disputes, and discussed with management the key judgements made, including relevant legal advice if received.<br>The Committee members also discussed litigation provisions with the Company's external auditor, and received reports from Group Internal Audit and Group Risk and Compliance on quality controls designed to minimise the incidence of errors and omissions. As a result, it was determined that the overall provision is appropriate, but it was recognised that due to the inherent uncertainties of litigation the final results could differ. |
| **New Accounting Standards** | The Committee reviewed management's reports on the progress being made towards the adoption of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). Management briefed the Committee on the key elements of the standards, how management had interpreted them and their key judgements in the design of the resultant Group accounting policies.<br>In respect of IFRS 15 in particular, the Committee was kept informed of the progress being made by the business in collecting and analysing data, and enhancements to systems and procedures needed to adopt the new policy.<br>The Committee was kept informed of the major financial implications of adoption and the additional disclosure requirements. |

## EFFECTIVENESS OF THE AUDIT & RISK COMMITTEE

An internal review of the Committee's effectiveness was carried out in respect of 2017. All of the members and regular attendees of the Committee were asked to complete a questionnaire and the feedback was discussed by the Committee. The results of the review were very positive overall, with the Committee seen as functioning effectively and being well-chaired. Discussions were seen to be of a high quality, focusing on the right areas, and with a good level of constructive debate and challenge in an open environment. The Committee was also considered to have a good understanding of the Group's inherent risks and risk management activities. The Committee will increase its focus on operational risks and controls as the Group implements a number of planned transformation programmes. Some opportunities were also identified to make Committee papers more concise and focused and to develop the professional training provided to the Committee.

## GROUP INTERNAL AUDIT

The Committee is accountable to the Board in relation to the effectiveness of the Group Internal Audit (GIA) function. The function's terms of reference were reviewed by the Committee during the year and were considered to remain appropriate. There was no change to the holder of the Group Head of Internal Audit position during the period.

An external review of the GIA function took place in 2016, in accordance with the Chartered Institute of Internal Auditors' Standards. This confirmed the function's effectiveness at that time, and its positive contribution to improving the control environment. The Committee considers the effectiveness of the GIA function on an ongoing basis during the year and is satisfied that it remains effective and is adequately resourced.

During 2017, the Committee reviewed, evaluated and monitored:

- the independence of the GIA function;
- the annual GIA plan and other audit activities undertaken by the function;
- reports from the Group Head of Internal Audit on the results of audit work performed, and the effectiveness of the Group's systems of internal control;
- reports and recommendations from the Group Head of Internal Audit on themes affecting the development of the Group's internal control framework;
- co-ordination between the internal and external auditors, other control functions within the Group, and with external regulators;
- management's responsiveness to the findings and recommendations of GIA, and the monitoring of follow up actions relating to these;
- the adequacy of the resources of the GIA function, including plans for managing that resource to meet the demands of the business; and
- the overall effectiveness of the Group Head of Internal Audit and the GIA function in promoting and influencing improvements in the Group's internal control environment.

The Committee, and separately the Committee Chairman on a one-to-one basis, regularly meets with the Group Head of Internal Audit to discuss the work of the GIA function and the findings of audits performed.

## EXTERNAL AUDITOR

The Committee is accountable to the Board in relation to the appointment of the external auditor, PricewaterhouseCoopers LLP ("PwC") and for overseeing the relationship with PwC. During the year, the Committee:

- agreed PwC's remuneration for audit services, including satisfying itself that the level of audit fee was appropriate to enable an adequate audit to be carried out. The Committee also reviewed and monitored fees in respect of non-audit services;
- approved the external audit plan and ensured that it was consistent with the scope of the audit engagement;
- approved the terms of engagement, including the engagement letter issued at the start of each audit, and the scope of the audit;
- assessed PwC's independence, including in relation to non-audit services provided;
- reviewed the findings of PwC, including discussion of any major issues arising, and any accounting and audit judgements; and
- held meetings with PwC without management present.

PwC contribute an independent perspective on certain aspects of the Company's financial control systems arising from its work and report its findings to the Committee.

## EFFECTIVENESS OF EXTERNAL AUDITOR

The Committee considers the effectiveness, independence and objectivity of the external auditor throughout the year.

An internal effectiveness review of PwC was undertaken during the year. The review focused on areas including: PwC's expertise and resources; the robustness and effectiveness of the external audit process; and the quality of reporting. Feedback was obtained from finance directors across the business. The Committee considered the feedback from the review, which was generally very positive, and concluded that PwC continued to operate to the expected standards. The Committee and PwC agreed areas where there were opportunities for development in order to further enhance the audit process.

## NON-AUDIT FEES AND EXTERNAL AUDITOR INDEPENDENCE

To safeguard auditor objectivity and independence, the Group has a policy for the approval of non-audit services provided by PwC. All proposed services must be pre-approved in accordance with the non-audit services policy which sets out defined and escalating approval levels in reference to materiality. This policy was reviewed and updated by the Committee in February 2018. All non-audit services with fees exceeding £50,000 must be pre-approved by the Committee Chairman or the Committee, which also reviews the non-audit fees charged by PwC during the year.

Prior to approving non-audit services, consideration is given to whether it is in the interests of the Company that the services are purchased from PwC, rather than another supplier. Where PwC was chosen to provide non-audit services during the year, this was as a result of its detailed knowledge of the structure of our business combined with an understanding of JLT's industry, which together made PwC the best supplier to carry out the relevant work cost effectively. In such instances, both JLT and PwC were satisfied that appropriate safeguards were in place to ensure the preservation of PwC's independence as external auditor.

Fees paid to PwC for audit and non-audit services are set out in note 7 to the financial statements and are summarised in the table below.

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Audit | 3,387 | 2,649 |
| Non-audit | 960 | 755 |
| Total | 4,347 | 3,404 |
| Total spend on non-audit services as % of the total fees paid to PwC | 22% | 22% |

The audit fees increased in the year, primarily due to the additional work required in connection with the implementation of IFRS 9 and IFRS 15 and certain component auditor scope changes.

The table below summarises some of the more significant non-audit services carried out by PwC in 2017 and the safeguards to preserve PwC's independence:

| Nature of Service | Safeguards to preserve independence |
|---|---|
| **Tax advisory and compliance services in international markets** | Tax specialists are separate to the audit team. PwC acts as adviser only and is not involved in making or influencing management decisions. No contingency fee involved. PwC does not directly handle or take custody of any client funds. |
| **Forensic services** | Data is not accounting information and does not relate to risk management. Specialists involved are separate to the audit team. Advocacy threats are mitigated. No contingency fee involved. |
| **Other advisory services** | Specialists involved are separate to the audit team. Advocacy threats are mitigated. No contingency fee involved. |

The Committee remains satisfied with PwC's independence, and its responsiveness to management, in respect of work undertaken in 2017. PwC have also assessed and confirmed their independence to the Committee.

## EXTERNAL AUDITOR RE-APPOINTMENT

The Committee reviews and makes recommendations to the Board with regard to the reappointment of the external auditor each year. In making this recommendation, the Committee takes into account auditor independence and effectiveness, audit partner rotation and any other factors that may impact the Committee's judgement regarding the external auditor. Based on the Committee's recommendation, the Board is proposing that PwC is reappointed to office at this year's AGM.

## EXTERNAL AUDITOR ROTATION

PwC was appointed as the external auditor of Jardine Lloyd Thompson Group plc in 1997 following the merger of JIB Group plc and Lloyd Thompson Group plc, prior to which PwC was the external auditor of JIB Group plc from 1991.

The Committee is aware of the EU-wide regulations concerning audit tenure and the longevity of audit firm relationships with the companies they audit. Under current EU transitional arrangements, it is anticipated that the last financial year for which PwC will audit the Group's accounts will be that ending 31 December 2019. The current audit partner, Nick Wilks, took up his role in 2015.

Continuity and consistency of audit quality are important, but the Committee is mindful of the fact that PwC has been the Company's auditor for 21 years without re-tender and it remains the Company's intention to initiate an audit re-tendering process in 2018. The Company believes that this timing is appropriate as it aligns with the rotation cycle for the current engagement partner. There are no contractual obligations that would restrict the selection of a different auditor.

The Committee considers that the Company has, throughout the year ended 31 December 2017, complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

## RISK MANAGEMENT

A description of the processes followed by the Group to identify and manage risk is included in the Risk Management Report on pages 41 to 45.

## CYBER RISK

The risk of any firm being compromised by some form of cyber event is ever present. JLT takes cyber risk very seriously and seeks to address any threats from internal or external sources, whether intentional and malevolent or by simple human error. JLT also recognises the interrelationship between addressing cyber risk and dealing with other subjects such as the forthcoming General Data Protection Regulation, in particular that creating a strong environment to manage one will assist with addressing the other.

Cyber risk and related subjects have been the topic of regular discussion by the Committee for several years. Rather than running a one-off programme, JLT adopts the stance that this area requires a constant focus across people, processes and technology in order to stay current and to mitigate this threat.

## CULTURE

The Committee recognises that a strong and transparent corporate culture is a valuable asset to protect and generate value. Companies need to have a strong purpose, culture and ethical values in order to succeed, be sustainable and build trust among their stakeholders.

JLT's corporate culture is underpinned by a clear alignment of business purpose, values, strategy and incentives: people at all levels of the organisation understand JLT's values and act in accordance with these.

Corporate culture is led by the Board and is not about rules but about actions. A key objective for both the Board and senior management is to communicate the behaviours they want to see in the business and to find constructive ways to encourage and build those behaviours.

The Committee also has an important role to play in supporting the right culture across the Group, by overseeing the provision of high quality, insightful reporting both internally and externally to the Group's stakeholders, which demonstrates that the Group has in place the right structures and processes to support the right behaviours by employees. The Committee seeks to recognise and address any instances where there is misalignment between behaviour, purposes and values.

The Committee's work in this regard is supported by the key control functions, including Group Risk & Compliance, Group Internal Audit and Group Corporate Secretariat, as well as by the Group's external auditor.

The Committee has increased its focus on this area in the past year and has discussed a number of matters relevant to the fostering of an appropriate corporate culture within JLT, including the improving maturity of the control environment in the Group's businesses and in the context of the year end review of internal controls.

## GLOBAL COMPLIANCE

Our businesses around the Group are at differing levels of maturity, but they have all implemented a suitable governance and control environment, which in many cases either mirror, or are based upon, JLT Group standards and structures.

Businesses adopt appropriate quality assurance processes and all significant businesses operate an independently chaired Audit & Risk Committee. Businesses are also subject to regular internal audits.

Where local laws or regulations impose standards or practices which differ from those of the wider JLT Group (for example in relation to licensing requirements or the applicable sanctions regime), adjustments are made to policies and practices as appropriate.

The compliance framework of each of our businesses will continue to evolve in response both to their growth and local legal and regulatory changes.

## DIRECTORS' FAIR, BALANCED AND UNDERSTANDABLE STATEMENT

At the request of the Board, the Committee carried out a detailed review of the robust processes which were followed in preparing the Annual Report and Financial Statements, and reported the results of that review to the Board.

The review supported the Directors in satisfying themselves that they could make the statement on page 95 of the Annual Report and Financial Statements that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Andrew Didham**
Chairman, Audit & Risk Committee
28 February 2018

# NOMINATIONS COMMITTEE REPORT

Geoffrey Howe

> “It has been an active year for the Committee with a strong focus on succession planning.”

## INTRODUCTION FROM THE COMMITTEE CHAIRMAN

I am pleased to present the Nominations Committee report for the year ended 31 December 2017.

It has been an active year for the Committee, with a strong focus on succession planning for both the Board and senior management.

During 2017 there were a number of Board and Committee changes. Two Directors left the Board during the year: Bruce Carnegie-Brown retired from the Board and as Senior Independent Director on 14 June 2017, following his appointment as the Chairman of Lloyd’s of London, and Jonathan Dawson retired on 3 October 2017. I should like to express the Board’s thanks to Bruce and Jonathan for their respective contributions to the Board and its Committees.

The Committee oversaw the selection and appointment of new Non-Executive Directors and appointed executive search firm, The Zygos Partnership, a signatory to the Voluntary Code of Conduct of Executive Search Firms, to compile a long list of candidates for the respective roles. In October, Andrew Didham and Richard Meddings were appointed Directors. Richard has become Chair of the Remuneration Committee and Andrew has become Chair of the Audit & Risk Committee.

The Committee was also pleased to recommend the appointment of Annette Court as the Company’s Senior Independent Director.

In February 2018, the Committee recommended the appointment of Lynne Peacock. Lynne will join the Board as a Non-Executive Director on 1 May 2018.

At a senior management level, Lucy Clarke was appointed as Global CEO of JLT Specialty with effect from 1 April 2018. Further details can be found in my Chairman's Statement on page 12.

Jonathan Palmer-Brown stepped down from the Group Executive Committee at the end of the year and continues to act as an Adviser to the Group Chief Executive.

Leo Demer retired as CEO of our Australia and New Zealand business at the end of December 2017 and has been succeeded by Nick Harris. Nick joined the Group Executive Committee with effect from 1 January 2018. Leo assumes the new role of Head of Global Public Sector Specialties.

With effect from 26 February 2018, Mike Rice became Executive Chairman of JLT's US Specialty business to focus on M&A and to continue to play a leading role in driving new business development. Pat Donnelly, formerly President and Deputy CEO, assumed the role of CEO of that business on the same date.

Another key area of focus for the Group has continued to be diversity. We have defined JLT’s diversity agenda on the basis of three pillars: Networking, Sponsorship and Involvement. In 2017, JLT supported a number of initiatives, both internally and in public events in the London Market and other insurance hubs, to help to drive a more diverse and inclusive business and to play our part in solving these challenges in our industry. More details are available in the Corporate Responsibility Report on pages 50 and 51.

The Committee continues to focus on succession planning and executive development and during the year it oversaw a detailed review by management, with the assistance of external consultants, of the leadership capability and potential of a cohort of nearly 40 of JLT’s senior managers. More details of this review and its conclusions are set out in the following Report.

**Geoffrey Howe**
Chairman, Nominations Committee
28 February 2018

## COMMITTEE MEMBERSHIP AND ATTENDANCE

The following table shows the Committee membership during the year:

| Committee Members | |
|---|---|
| Geoffrey Howe (Chairman) | Adam Keswick |
| Bruce Carnegie-Brown[1] | Richard Meddings[3] |
| Annette Court | Lord Sassoon |
| Jonathan Dawson[2] | Nicholas Walsh |
| Andrew Didham[3] | |

1. Bruce Carnegie-Brown retired from the Committee on 14 June 2017
2. Jonathan Dawson retired from the Committee on 3 October 2017
3. Andrew Didham and Richard Meddings were appointed to the Committee on 2 October 2017

The Group Company Secretary acts as Secretary to the Committee and, where appropriate, a number of others attend meetings by invitation, including the Group Chief Executive and the Group Human Resources Director.

The table below shows the Committee members' attendance at Committee meetings during 2017:

| Committee members | Eligible to attend | Attended |
|---|---|---|
| Geoffrey Howe (Chairman) | 4 | 4 |
| Bruce Carnegie-Brown | 1 | 1 |
| Annette Court | 4 | 4 |
| Jonathan Dawson | 3 | 3 |
| Andrew Didham | 1 | 1 |
| Adam Keswick | 4 | 4 |
| Richard Meddings | 1 | 1 |
| Lord Sassoon | 4 | 4 |
| Nicholas Walsh | 4 | 4 |

## COMMITTEE RESPONSIBILITIES

The Committee is responsible for reviewing the structure and composition of the Board and its Committees and ensuring that they have the right balance of skills, knowledge and experience.

The Committee ensures that there is a formal, rigorous and transparent process for new Board appointments. It is the Committee's responsibility to lead this process by preparing a description of the role and capabilities required for each particular appointment; appointing external search consultants as appropriate and overseeing the search process; and making recommendations on new appointments to the Board. All appointments to the Board are made on merit and against objective criteria.

The Committee has responsibility for considering a range of other issues including diversity, inclusion and gender equality.

The terms of reference of the Committee are available on the Company's website jlt.com.

## PRINCIPAL ACTIVITIES

The Committee met formally on two occasions during 2017, as well as meeting on an ad hoc basis on several occasions to discuss key events during the year.

During the year the Committee focused on succession planning and the development of Directors and high performing members of senior management, as well as on the promotion of diversity and inclusion across the organisation.

| Key activities during the year |
|---|
| Non-Executive Director Appointments |
| Succession Planning |
| Consideration of Diversity |
| Review of Board Composition |
| Oversight of Director Induction and Training |

## NON-EXECUTIVE DIRECTOR APPOINTMENTS

The Board appointed two new Non-Executive Directors in 2017, Andrew Didham and Richard Meddings. An external search consultancy, The Zygos Partnership, was engaged to lead the search process for both candidates. The Zygos Partnership has no other connections with the Company. A detailed longlist was prepared and discussed with the Committee and a shortlist of candidates was then interviewed. The Committee met twice to discuss the results of the process and recommended the appointment of the two final candidates to the Board.

The Committee subsequently engaged The Zygos Partnership to lead the search for a further Independent Non-Executive Director. The Committee discussed the results of the process during 2018 and recommended the appointment of Lynne Peacock to the Board with effect from 1 May 2018.

During 2017, the Committee also reviewed and recommended the extension of Nicholas Walsh's appointment as a Non-Executive Director following three years of service on the Board.

## SUCCESSION PLANNING

One of the key roles of the Committee is to discuss succession planning for the Board and other senior management positions. It is important that a pipeline of talent is recognised and nurtured within the business and that the skills and experience of senior management are developed. Ultimate responsibility for making senior management appointments rests with the Group Chief Executive.

The Committee works closely with management to ensure that succession planning looks ahead over multiple years and addresses any identified skill shortages.

During the year the Committee oversaw a detailed review by management, with the assistance of external consultants, Korn Ferry, of the leadership capability and potential of a cohort of nearly 40 of JLT's senior managers. The review focused on the capability of the cohort as leaders within JLT, using the Group's five pillar leadership model, as well as on their leadership potential measured using a number of external tools and against a large group of executives in other businesses. The exercise was seen as important in assessing the strength of JLT's leadership team and how well positioned it is to drive JLT forward to deliver on the Group's strategy.

The results of the review indicated that JLT's cohort had strong leadership in core areas and great potential. Training and development plans, with appropriate coaching and mentoring, are being tailored to help individuals meet their development needs.

The Committee also continued to discuss future succession plans for the role of Group Chief Executive. Korn Ferry carried out further work to evaluate several potential internal candidates for the role, in order to identify development opportunities for those individuals.

The Committee also spent time considering succession planning in respect of the Chairman and is comfortable that an appropriate plan is in place.

The Committee is confident that there are succession plans in place for Directors and senior management across the Group which are appropriate to enable the implementation of our corporate strategy and our future growth plans.

## DIVERSITY AND INCLUSION

The Committee aims to maintain an appropriate balance of skills, experience, expertise and background on the Board. In preparing to recommend new appointments, the Committee takes into account the benefits of diversity whilst considering candidates on merit against objective criteria.

The Board supports the recommendations made in the reviews published by Davies, Hampton-Alexander and Parker and supports the Code's recommendation that diversity and gender should be considered when making Board appointments. JLT recognises the benefits of having a diverse Board and is committed to achieving a Board which includes and makes the best use of differences in culture, gender, skills, background, regional, financial and industry experience and other qualities.

More details of JLT's approach to diversity can be found in the Corporate Responsibility Report on pages 50 and 51.

## BOARD INDUCTION AND TRAINING

The Committee is focused on ensuring that an appropriate induction programme is provided to all new Directors which is tailored to their roles on the Board and its Committees. A programme has been developed which is designed to provide new Directors with an understanding of the Group, its governance framework, its business and the markets in which it operates.

Members of the Board and its Committees are provided with regular training in order to keep them abreast of industry and legal and regulatory developments, facilitated by professional advisers where appropriate.

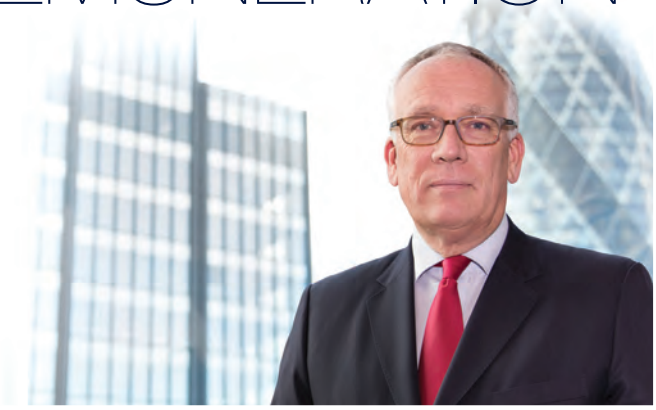
Further details regarding the induction and training programmes provided during the year can be found on page 65.

For and on behalf of the Board.

**Geoffrey Howe**
Chairman, Nominations Committee
28 February 2018

# DIRECTORS' REMUNERATION REPORT

> “Creating long-term sustainable value for shareholders whilst upholding our strong cultural identity and expected standards of behaviour.”



Richard Meddings

## INTRODUCTION FROM THE COMMITTEE CHAIRMAN

I am pleased to introduce the Directors' Remuneration Report for 2017. In doing so, I would like to thank the Board and senior management for their support since my appointment to the Committee on 2 October 2017 and to thank my predecessor Bruce Carnegie-Brown for his leadership during the early part of the year, and in particular for his consultation with shareholders on the full review of JLT's Remuneration Policy. The Remuneration Policy was subsequently approved at the 2017 AGM, by 95.59% of shareholders.

At JLT we believe that our Remuneration Policy is appropriate for rewarding Executive Directors in line with business performance while remaining in line with the interests of shareholders. The Committee is keeping under review the Financial Reporting Council's current consultation on the UK Corporate Governance Code and its potential implications for the Group's Remuneration Policy.

### KEY PRINCIPLES

Our Policy continues to be based on the following key principles:

- simple, consistent and transparent;
- supports the cultural and behavioural priorities of the Group; and
- achieves a balance between pay and performance, such that:
  - fixed pay remains at an appropriate level when considered against a competitive global market place, ensuring we are able to attract and retain high calibre staff; and
  - variable pay and incentives provide a strong and demonstrable link between the performance of the Company and the performance of its Executive Directors and senior management team members.

The Committee believes this philosophy provides a direct incentive for our employees to create long-term sustainable value for our shareholders together with upholding the strong cultural identity and expected standards of behaviour. Share awards continue to be an essential tool in aligning the interests of employees with those of shareholders.

In setting remuneration levels, the Committee is mindful that our business operates in a competitive global market.

The Committee takes into account appropriate remuneration data relevant to UK public companies of a similar size and complexity however also recognises that there are no directly comparable UK companies and that its principal competitors are often businesses which are part of much larger groups, primarily based in the US.

In 2017, the Committee spent the early part of the year focused on executive compensation in relation to 2016 performance and considering appropriate revisions to the Remuneration Policy in order to be in a position to recommend full approval of the new Policy by shareholders at the 2017 AGM. Following approval of the Remuneration Policy, the Committee implemented the revised Policy as it related to senior management compensation.

During the year, the Committee took a wider view on compensation matters for the top 100 highest paid individuals in the Group. The Committee was satisfied that total compensation for these individuals aligned with shareholder interests in terms of value creation.

The Committee also considered the figures relating to the required reporting requirements under the Gender Pay Gap regulations in the UK. The Committee, when reviewing the outcomes, endorsed management's stance on addressing the talent agenda which, in common with many other UK businesses, is highlighted by the Gender Pay Gap figures.

## OUR REMUNERATION FRAMEWORK

Based on these principles, the key elements of our remuneration framework for 2017 are provided below:

| | |
|---|---|
| **Salary** | Market competitive |
| **Pensions** | Pension contributions are aligned with those of employees and are at a modest level compared to the market, to reflect our focus on performance-related reward |
| **Bonus** | Linked to challenging profit and individual performance targets<br>Target 125% of salary (150% for CEO). Maximum 150% of salary (200% for CEO)<br>Enables us to be competitive in the market, particularly in the insurance industry, to retain and incentivise key executives to deliver performance for shareholders<br>Deferral mechanism for awards in excess of 100% of salary reinforces alignment with long-term shareholder returns |
| **Long Term Incentive Plan** | Shares vest after three years based on the delivery of stretching EPS growth targets<br>For 2018 awards, the target will be 4% - 12% per annum (12% - 36% over 3 years)<br>Maximum award of 200% of salary (300% for the CEO) |
| **Shareholding guideline** | Objective to build a long-term shareholding of at least 200% of salary (300% of salary for the CEO) through retaining ownership of vested shares |

# MAJOR ACTIVITIES AND DECISIONS IN 2017

## INCENTIVE OUT-TURNS IN RESPECT OF 2017

As reported last year, the Committee agreed at the time of setting the 2016 annual bonus targets for the Executive Directors, that the underlying Profit Before Tax (PBT) target would include the budgeted investment in the US Specialty business.

80% of the Executive Directors' 2017 bonus was based on Group underlying PBT targets. The underlying PBT delivered in the year of £191.5 million was significantly in excess of the target of £183.0 million such that a maximum award was earned. The remaining 20% was based on the achievement of specific personal objectives. The bonus awards, which were made in respect of 2017 (Group Chief Executive 200% of salary, Deputy Group CEO and Group Finance Director both at 149% of salary) are reflective of the strong results that the business has delivered this year. The Committee considers that the strong financial performance of the Group warrants these awards.

## PLANS FOR 2018

**Salary:** As previously reported, the Deputy Group CEO and Finance Director were both awarded salary increases in 2017, with an agreement that there would be no further review until 2019. The Group Chief Executive will receive a salary increase of 3.5% in 2018 resulting in an annual base salary of £793,000. The all employee UK salary increase averaged 4% across 2017, with a similar increase anticipated for 2018.

**Bonus:** The annual bonus will remain 80% based on Group results (measured on underlying PBT) and 20% based on the achievement of personal objectives. The target bonus award for the Deputy Group CEO and Group Finance Director will remain 125% of salary and the maximum bonus 150% of salary. For the Group Chief Executive, the target and maximum bonus awards continue to be the same (150% and 200% of salary respectively).

**Long Term Incentive Plan (LTIP) Award:** Earnings per share (EPS) has been used as the measure of performance for the LTIP for a number of years and continues to be an important and appropriate measure of the long-term success of JLT and is aligned to shareholder returns. The Committee proposes no change to the EPS targets for the 2018 LTIP award, which remain appropriately challenging in the current trading environment.

Accordingly, EPS growth is set at a range of 4% per annum (12% over 3 years) to 12% per annum (36% over 3 years). The threshold level of vesting will remain at 20% of the maximum award. 75% of the maximum award will be payable on EPS growth of 8% per annum (24% over 3 years).

Full vesting of the award will, as in prior years, remain subject to the achievement of growth in EPS of 12% per annum (36% over 3 years).

The 2017 underlying basic EPS will be used as the base year for the purposes of this award and includes the costs of the US Specialty investment. However, from 2014 to 2016 inclusive, as previously stated, the costs of US investment were excluded in order to normalise the earnings profile of the Group during the start-up phases of the investment cycle for the purposes of long term remuneration. The investments in the US have resulted in an accumulation of losses which may result in the recognition of a deferred tax asset. As this is likely to have a positive, but distorting effect on the underlying EPS result when recognised, the Committee has decided to exclude the benefit of the deferred tax asset for the purposes of any LTIP calculation.

## OTHER KEY DECISIONS

A review of Non-Executive Director fees in line with market has resulted in an increase to the basic fee to £65,000 with effect from 1 April 2018. The fees were last increased in April 2014. Supplementary fees remain unchanged.

**Richard Meddings**
Chairman, Remuneration Committee
28 February 2018

# SUMMARY OF REMUNERATION POLICY

## POLICY TABLE FOR EXECUTIVE DIRECTORS

The Policy was approved at the 2017 AGM held on 27 April 2017 and was effective as of that date. An extract of the policy table for Executive Directors contained in that Policy is reproduced below for information only. The full Remuneration Policy is contained on pages 76 to 82 of the 2016 Annual Report, which is available in the Investor Relations section of the Group's website, jlt.com.

| Component and purpose/link to strategy | Operation | Maximum | Performance framework |
|---|---|---|---|
| **BASE SALARY**<br>To provide a base salary, as a major component of fixed remuneration, which is competitive in the markets in which the Company operates and in which the Executive Director is based. | Contractual fixed cash amount paid monthly.<br>Salaries are normally set in the home currency and reviewed annually. Any changes are normally made effective from 1 April.<br>Salaries are set by the Committee, taking into account all relevant factors which include: the scale and complexity of the Group and/or business unit, the scope and responsibilities of the role, the skills and experience of the individual, performance in role, the level of increase within the business, and the Committee's assessment of the competitive environment including consideration of appropriate market data. This includes salary levels and total remuneration of global insurance brokers and other top US and UK multi-national businesses. | There is no prescribed maximum salary.<br>Any increases will be at the discretion of the Committee, taking into account factors such as: changes in the size and complexity of the business, scope of the role, competitive positioning against the market, and, the level of salary increase within the business. | N/A |
| **BENEFITS**<br>To provide benefits, as an element of fixed remuneration, which are competitive in the markets in which the Company operates. | Benefits reflect home country norms of the Executive Director.<br>Incorporates various cash/non-cash benefits which are competitive in the relevant market, and which may include: a company car (or equivalent cash allowance), subscriptions, life assurance, death-in-service pension, private medical, annual medical check-up, permanent health cover, reimbursed business expenses (including any associated tax liability) incurred when travelling in performance of duties, and, where necessary, other benefits to reflect specific individual circumstances, such as housing, relocation, travel or other expatriate allowances.<br>Executive Directors may also participate in the Save As You Earn (SAYE) and Share Incentive Plan (SIP) on the same basis as other employees. | Benefit provision, for which there is no prescribed monetary maximum, is set at an appropriate level for the specific nature and location of the role.<br>Benefit plans are reviewed periodically to ensure they remain competitive in the market in which the company operates, provide appropriate value to and remain appropriate for our employee population.<br>Participation in all employee share plans is subject to statutory limits. | N/A |
| **PENSION**<br>To provide an element of tax efficient savings where possible within the tax framework of the Executive Director's home country. | Executive Directors will participate in the company pension schemes that apply to their home country.<br>In the UK, this is provided via contributions to the Defined Contribution (DC) section of the JLT UK Pension Scheme or as a cash salary supplement. Contributions, in line with the Scheme Rules, are made by reference to pensionable earnings (currently a maximum of £140,000 but reviewed annually).<br>Members of the Defined Benefit (DB) section of the scheme will continue to receive benefits in accordance with the terms of this plan, although it is closed to further accrual or to new members. Since the closure of the DB scheme in 2006, affected employees, including some Executive Directors, receive a fixed salary supplement, which was determined at the time the scheme was closed based on each individual's circumstances. | Current UK Executive Directors receive a maximum DC/cash supplement of 15% of pensionable earnings.<br>The maximum additional annual fixed salary supplement for current Executive Directors impacted by the closure of the DB scheme are:<br>£79,000 for Dominic Burke;<br>£24,000 for Mark Drummond Brady. | N/A |

| Component and purpose/link to strategy | Operation | Maximum | Performance framework |
|---|---|---|---|
| **ANNUAL BONUS**<br>A variable pay opportunity, competitive in the markets in which the Company operates, which motivates and rewards performance against objectives and is aligned with the culture of the organisation. Deferral aligns reward with long-term value of JLT shares. | Total overall bonus (before any deferral) provides an opportunity for additional reward (up to a target and maximum specified as a percentage of salary) based on annual performance against objectives set and assessed by the Committee.<br>Paid in cash, except that any bonus in excess of a limit, normally 100% of salary, is deferred into Company shares in accordance with the terms of the Deferred Bonus Share Plan (DBSP).<br>Under the DBSP, participants are granted a conditional award of shares which normally vest over three years, subject to continued employment. Dividend equivalent provisions apply.<br>Malus and clawback provisions apply in relation to annual bonuses.<br>Bonus payments are not pensionable. | Maximum awards under the annual bonus plans are:<br>200% of salary for the Chief Executive and 150% for other Executive Directors | Payment is determined by reference to performance assessed over one financial year. Performance may be assessed using a combination of financial, strategic and personal performance measures, normally weighted towards the financial measures.<br>Importance is placed on promoting the culture of the organisation and mitigating risk.<br>"Target" bonus is set at 150% of salary for the Chief Executive and 125% of salary for the other Executive Directors. |
| **LONG-TERM INCENTIVE PLAN (LTIP)**<br>A variable pay opportunity, competitive in the markets in which the Company operates, which motivates and rewards long-term performance and is aligned with the value created for shareholders. | Awards are made under the terms of the JLT Long Term Incentive Plan 2013, approved by shareholders at the 2013 Annual General Meeting.<br>Awards are normally in the form of a right to acquire shares in the Company for a zero or nominal amount. The vesting of the award is subject to the satisfaction of performance conditions reviewed and agreed by the Committee each year.<br>Malus, clawback and dividend equivalent provisions apply. | Maximum annual awards are:<br>300% of salary for the Chief Executive, 200% of salary for other Executive Directors | Vesting is determined by reference to performance assessed over a period of three years, against key measures aligned to the strategy and creation of shareholder value. Performance measures currently include EPS and may also include other financial or strategic measures aligned to strategy and shareholder value.<br>The threshold level of vesting is 20% of the maximum award. |

# ANNUAL REPORT ON REMUNERATION

The table below summarises the remuneration for the Directors in respect of 2017. Further discussion of each of the components, including the intended operation of the Policy for 2018, is set out on the pages which follow. Some of the disclosures in these sections, where indicated, have been audited by PwC.

**Single Total Figure of Remuneration Table (audited)**

The remuneration in respect of the year ended 31 December 2017 of the Executive Directors who served during the year is shown in the table below (with the prior year comparative):

| Directors | Salary £'000 | | Benefits [2] £'000 | | Pension [3] £'000 | | Annual Bonus [4] £'000 | | LTIP [5] £'000 | | Total £'000 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Dominic Burke | 760 | 740 | 133 | 101 | 95 | 95 | 1,532 | 1,093 | 841 | 525 | 3,361 | 2,554 |
| Mark Drummond Brady | 443 | 420 | 52 | 38 | 40 | 39 | 670 | 417 | 239 | 137 | 1,444 | 1,051 |
| Charles Rozes [1] | 448 | 425 | 33 | 11 | 14 | 13 | 1,167 | 872 | - | - | 1,662 | 1,321 |

[1] The 2017 and 2016 Annual Bonus columns includes the annual bonus and the tranches of sign-on bonus (cash and value of vested shares), the details of which were disclosed in the 2015 Directors' Remuneration Report.

[2] Benefits include: a company car, driver (or equivalent cash allowance), IT and communications, subscriptions, life assurance, private medical and permanent health cover.

[3] Pension includes all forms of cash contribution paid in respect of pension entitlements, including contributions to the Defined Contribution section of the JLT UK Pension Scheme (or a cash salary supplement) and, where relevant, the fixed cash salary supplement paid to those Directors impacted by the closure of the DB Scheme in 2006. Further details are set out in the Pensions section on page 86.

[4] Annual bonus includes the full value of the annual bonus awarded in respect of the relevant financial year. For each of the three Directors, a portion of the Annual Bonus will be deferred under the terms of the DBSP. In respect of 2017 for Dominic Burke it will be £766,000, for Mark Drummond Brady £219,600 and for Charles Rozes £223,405.

[5] The 2017 LTIP column includes the value of the 2015 LTIP award, which is based on performance measured to 31 December 2017 and will vest on 1 April 2018. The value is calculated using the average share price over the final quarter of 2017 of 1310.62p and includes the value of the dividends on the shares which will vest. The 2016 LTIP column shows the value of the 2014 LTIP which was based on performance to 2016. The numbers have been updated from those shown last year to reflect the actual share price on the date of vesting.

The remuneration in respect of the year ending 31 December 2017 of the Chairman and Non-Executive Directors who served during the year is shown in the table below (with the prior year comparative):

| Directors | Fees £'000 | | Benefits £'000 | | Total £'000 | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Geoffrey Howe [1] | 300 | 300 | 9 | 4 | 309 | 304 |
| Annette Court | 63 | 60 | - | - | 63 | 60 |
| Andrew Didham [2] | 21 | - | - | - | 21 | - |
| Adam Keswick [3] | 60 | 20 | - | - | 60 | 20 |
| Richard Meddings [2] | 20 | - | - | - | 20 | - |
| Lord Sassoon [3] | 60 | 60 | - | - | 60 | 60 |
| Nicholas Walsh [4] | 149 | 148 | - | - | 149 | 148 |
| Bruce Carnegie-Brown [5] | 36 | 43 | - | - | 36 | 43 |
| Jonathan Dawson [6] | 70 | 83 | - | - | 70 | 83 |

[1] Benefits include club subscription and medical insurance

[2] Andrew Didham and Richard Meddings were appointed to the Board on 2 October 2017

[3] Adam Keswick and Lord Sassoon waived their fees in favour of Matheson & Co.

[4] Nicholas Walsh received £88,600 in respect of the work he carried out to support the Board and Audit & Risk Committee ('ARC') of the US Specialty business and the Executive Committee and ARC of the US Reinsurance business

[5] Bruce Carnegie-Brown retired from the Board on 14 June 2017

[6] Jonathan Dawson retired from the Board on 3 October 2017

## KEY COMPONENTS OF REMUNERATION

The following sections describe how the Committee implemented key elements of the Policy in the year ended 31 December 2017 and how it is intended to operate in the year ending 31 December 2018.

### Salary

In setting salaries, the Committee takes into account the scale and complexity of the Group, the scope and responsibilities of the role, the skills and experience of the individual, performance in role, the level of salary increase within the business, and the Committee's assessment of the competitive environment including consideration of appropriate market data. The Committee also takes into account appropriate remuneration data relevant to UK public companies of a similar size and complexity but also recognises that there are no directly comparable UK companies and that the Company's principal international competitors are businesses which are part of much larger groups, primarily in the US. The base salaries of the Executive Directors effective 1 April 2018 are set out in the table below, together with the prior year comparative.

The Committee proposes to increase the Group Chief Executive's salary by 3.5% from 1 April 2018 with the next review in April 2019. The all employee UK salary increase averaged 4% across 2017, with a similar increase anticipated for 2018.

As noted last year, the Committee recognises the concerns of investors around executive salary inflation which is why it committed that the salaries of the Deputy Chief Executive and Group Finance Director will remain unchanged until at least 1 April 2019.

| Directors | 2018 | 2017 | Change |
|---|---|---|---|
| Dominic Burke | £793,000 | £766,000 | 3.5% |
| Mark Drummond Brady | £450,000 | £450,000 | - |
| Charles Rozes | £455,000 | £455,000 | - |

## ANNUAL BONUS

In 2017, the Executive Directors had a target bonus opportunity of 125% salary (150% of salary for the Group Chief Executive) and a maximum of 150% (200% for the Group Chief Executive). In 2017, the bonus was based on a combination of both financial and personal performance measures, requiring the achievement of stretching performance targets, as follows:

- 80% on JLT Group underlying PBT performance. As described in more detail on page 79, 2017 saw a Group underlying PBT of £191.5 million. This significantly exceeded the Target of £183.0 million such that the maximum award was due; and
- 20% on the achievement of personal objectives. Each of the Executive Directors set their objectives with the Group Chief Executive (or in the case of the Group Chief Executive, with the Remuneration Committee). These are documented and reviewed mid-year to ensure that they continue to be relevant to the business, with an overall assessment being made at the end of the performance year. Personal objectives align to the Group's strategic priorities.

Dominic Burke's personal objectives during 2017 have focused on the Group strategy and its delivery including:

- delivering the Group Strategic Review and implementation plan including a new target operating model and transformation programme to deliver sustained Group performance; and
- the corresponding talent management and development review of the senior leadership population.

Charles Rozes' objectives have focused on efficiency and continued effective governance including:

- delivering the Group capital funding structure in support of the Group strategic review;
- delivering substantive efficiency and productivity gains across the Finance function globally; and
- implementation of revised and enhanced risk & governance structures internationally.

Following his change of role at the start of 2017, Mark Drummond Brady's objectives focused on JLT's Latin American and Canadian businesses as well as his Deputy CEO responsibilities. His objectives included:

- delivering on the strategic alignment of the Canadian and Latin American businesses as part of the Group strategic review; and
- leading on the post-Brexit plan for JLT Group in Europe.

Based on the performance against the targets set, the Committee determined that the Executive Directors would receive the bonus for the year as shown in the Single Total Figure of Remuneration Table (133% of Target bonus for the Group Chief Executive, and 119% of Target for each of Charles Rozes and Mark Drummond Brady). This has been based on the underlying PBT results, and the achievement of personal objectives.

For 2018, the annual bonus will operate on the same basis as 2017. The Committee and Board of JLT believe the specific performance targets are commercially sensitive and therefore it is inappropriate to publish further detail here. It is the current intention that they will be disclosed next year to the extent that the Committee is comfortable that they are no longer sensitive.

## LTIP – 2015 AWARD, VESTING IN RESPECT OF 2017

The 2015 LTIP was based on basic EPS growth (excluding exceptional items and impairment charges and measured on actual exchange rates) in the three financial years to 31 December 2017 in accordance with the targets laid out below, determined by the Committee at the time of grant. Following the announcement of the expansion into the US, the Committee considered the impact of the significant expected investment costs on LTIP awards (i.e. 2013 to 2016 awards inclusive). The Committee determined that it was appropriate to adopt the following approach:

- in respect of a financial year in which US investment costs occur, that such cost will be added back to the EPS for that year for the purposes of measuring LTIP performance; and
- the Committee retains discretion over whether to apply such an approach in respect of any financial year and on the proportion of the cost which is added back. Any adjustment will be verified by the Company's auditor prior to the vesting date and clearly disclosed in the relevant Remuneration Report. The Committee believes that although the costs are not "exceptional costs" from a technical accounting perspective (and therefore will not be excluded from "Underlying EPS") they are exceptional for the purposes of LTIP measurement. The approach is consistent with the rules of the LTIP and with the Policy.

Per the award criteria, after removing the impact of the US investment costs the LTIP will vest at 28.44% of the maximum on 1 April 2018.

| EPS growth over a 3 year period | Vesting (% of maximum) |
|---|---|
| Below 6% per annum (18% over 3 years) | 0% |
| 6% per annum (18% over 3 years) | 20% |
| 12% per annum or above (36% over 3 years) | 100% |

Vesting is on a pro rata basis between these points.

## LTIP 2018 AWARD, WILL VEST IN 2021

The Committee reviewed the performance targets for the LTIP and believes the current target range (as shown in the table below) continues to be appropriately stretching in the context of the current environment. Therefore, this target range will apply to the 2018 LTIP award.

| EPS growth over a 3 year period | Vesting (% of maximum) |
|---|---|
| Below 4% per annum (12% over 3 years) | 0% |
| 4% per annum (12% over 3 years) | 20% |
| 8% per annum (24% over 3 years) | 75% |
| 12% per annum (36% over 3 years) | 100% |

Vesting is on a pro rata basis between these points.

The calculation of EPS is underlying basic EPS, excluding exceptional items and impairment charges and measured on actual achieved exchange rates and will be verified by the Company's auditor.

As noted earlier, the 2017 underlying basic EPS will be used as the base year for the purposes of this award and includes the costs of the US Specialty investment. However, from 2014 to 2016 inclusive, as previously stated, the costs of US investment were excluded in order to normalise the earnings profile of the Group during the start-up phases of the investment cycle for the purposes of long term remuneration. The investments in the US have resulted in an accumulation of losses which may result in the recognition of a deferred tax asset. As this is likely to have a positive, but distorting effect on the underlying EPS result when recognised, the Committee has decided to exclude the benefit of the deferred tax asset for the purposes of any LTIP calculation.

Awards will be made at the same level as in 2017, as set out in the Policy.

## SHARE INTERESTS AWARDED TABLE (AUDITED)

The following table sets out details of LTIP awards made during the year ending 31 December 2017 for Executive Directors who served during the year.

| Executive Director | Type of Interest | Basis of award | Face value £'000 | Threshold vesting | End of performance period |
|---|---|---|---|---|---|
| Dominic Burke | LTIP | 300% of salary | 2,298.0 | 20% | 31 December 2019 |
| Mark Drummond Brady | LTIP | 150% of salary | 675.0 | 20% | 31 December 2019 |
| Charles Rozes | LTIP | 150% of salary | 682.5 | 20% | 31 December 2019 |

## SHAREHOLDER GUIDELINES AND SHARE INTERESTS

Executive Directors are required to build up long-term share interests equivalent to 200% of base salary (300% of base salary for the Group Chief Executive). In summary, the guidelines are for Executive Directors to retain 50% of shares acquired on the vesting of share awards after the payment of income tax and national insurance, until such time as the guideline has been met. Deferred shares count towards the guideline (on a net of tax basis). The Chairman and Non-Executive Directors are not subject to the share ownership guidelines.

## STATEMENT OF SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)

The following table sets out for Directors who served during the year, their shareholding (including connected persons) in the Company as at 31 December 2017 and current interests in long-term incentives.

| | Shareholding | | | Current share interests | |
|---|---|---|---|---|---|
| | Number of shares | Shareholding as a % of salary | Guideline met? | LTIP | DBSP/Other |
| **Executive Directors** | | | | | |
| Dominic Burke | 406,311 | 738% | Yes | 671,700 | 57,200 |
| Mark Drummond Brady | 150,574 | 465% | Yes | 192,700 | - |
| Charles Rozes | 23,682 | 72% | No | 134,500 | 11,191 |
| **Non-Executive Directors** | | | | | |
| Geoffrey Howe | 25,709 | | | | |
| Annette Court | 1,000 | | | | |
| Andrew Didham | - | | | | |
| Adam Keswick | - | | | | |
| Richard Meddings | - | | | | |
| Lord Sassoon | - | | | | |
| Nicholas Walsh | 1,000 | | | | |
| Bruce Carnegie-Brown | 2,000 | | | | |
| Jonathan Dawson | - | | | | |

The shareholding as a percentage of salary is calculated using the shareholding and base salary as at 31 December 2017 and the closing mid-market price on 29 December 2017.

With the exception of the Directors' interests disclosed in the table above, no Director had any additional interest in the share capital of the Company during the year. Between 1 January 2018 and 22 February 2018 (being the latest practicable date prior to the posting of this report) the trustees of the Jardine Lloyd Thompson Group plc All Employee Share Plan have acquired 21 shares on behalf of Dominic Burke.

The table below provides details of the interests of the Executive Directors in long-term incentives during the year.

| | Plan | Grant date | Number of shares (1 Jan 2017) | Awarded/ (exercised) (During 2017) | Lapsed shares | Number of shares (31 Dec 2017) | Share price on grant (pence) | Date from which exercisable |
|---|---|---|---|---|---|---|---|---|
| Dominic Burke | 2014 DBSP | 07.04.14 | 32,600 | (32,600) | - | - | 1029.00 | 07.04.17 |
| | 2015 DBSP | 25.03.15 | 26,000 | - | - | 26,000 | 1047.33 | 25.03.18 |
| | 2017 DBSP | 05.04.17 | - | 31,200 | - | 31,200 | 1134.33 | 05.04.20 |
| | 2013 LTIP | 08.05.13 | 29,609 | (29,609) | - | - | 850.00 | 08.05.16 |
| | 2014 LTIP | 07.04.14 | 205,100 | (44,035) | 161,065 | - | 1029.00 | 07.04.17 |
| | 2015 LTIP | 01.04.15 | 210,600 | - | - | 210,600 | 1054.00 | 01.04.18 |
| | 2016 LTIP | 31.03.16 | 258,500 | - | - | 258,500 | 858.83 | 31.03.19 |
| | 2017 LTIP | 05.04.17 | - | 202,600 | - | 202,600 | 1134.33 | 05.04.20 |
| Mark Drummond Brady | 2013 LTIP | 08.05.13 | 7,737 | (7,737) | - | - | 850.00 | 08.05.16 |
| | 2014 LTIP | 07.04.14 | 53,600 | (11,508) | 42,092 | - | 1029.00 | 07.04.17 |
| | 2015 LTIP | 01.04.15 | 59,800 | - | - | 59,800 | 1054.00 | 01.04.18 |
| | 2016 LTIP | 31.03.16 | 73,400 | - | - | 73,400 | 858.83 | 31.03.19 |
| | 2017 LTIP | 05.04.17 | - | 59,500 | - | 59,500 | 1134.33 | 05.04.20 |
| Charles Rozes | PSP 9.4.2 | 21.09.15 | 33,573 | (22,382) | - | 11,191 | 1041.00 | 01.09.17<br>01.09.18 |
| | 2016 LTIP | 31.03.16 | 74,300 | - | - | 74,300 | 858.83 | 31.03.19 |
| | 2017 LTIP | 05.04.17 | - | 60,200 | - | 60,200 | 1134.33 | 05.04.20 |

DBSP: Awards under the Deferred Bonus Share Plan are made in the form of conditional shares and are not subject to any further performance conditions.

LTIP: Awards under the Long Term Incentive Plan made in the form of nil-cost options (2013, 2014 and 2015 awards) or conditional share awards (2016 and 2017 awards) subject to EPS growth performance conditions. For the 2013, 2014 and 2015 LTIP awards, the performance condition requires EPS growth over a three year period of 6% pa (18% over 3 years) for 20% vesting, to 12% pa (36% over 3 years) for full vesting. For the 2016 and 2017 LTIP awards, the performance condition requires EPS growth over a three year period of 4% pa (12% over 3 years) for 20% vesting, to 12% pa (36% over 3 years) for full vesting.

## PENSION

Pension benefits are provided to Executive Directors via the Defined Contribution (DC) section of the JLT UK Pension Scheme or as a cash salary supplement. Member contributions are matched by a Company contribution equivalent to 2.5 times the amount paid by the member subject to a maximum of 5% to 15% of pensionable earnings for the Scheme (currently £140,000 but reviewed annually).

Contributions in respect of 2017 are included in the Single Total Figure of Remuneration Table on page 82.

To reflect the closure of the DB scheme in 2006, affected employees, including some Executive Directors, also receive a fixed cash supplement, which was calculated as a percentage of salary determined at the time the scheme was closed based on each individual's circumstances. These cash supplements are included in the Single Total Figure of Remuneration Table on page 82.

## SERVICE CONTRACT

It is the Company's standard policy that Executive Directors should have service contracts with an indefinite term which can be terminated by the Company or the Director by giving notice not exceeding 12 months. This applies to all current Executive Directors and would normally be applied to future appointments. The Committee retains discretion to offer service agreements with notice periods which exceed 12 months (up to a maximum of 24 months). If such a contract were offered, the notice period would normally be reduced during the first year of employment to the standard 12 month notice period.

Under all the current Executive Director service contracts, the Company may terminate employment by making a payment in lieu of notice which would not exceed 12 months' salary, benefits and pension contributions. This policy would be applied to future appointments.

Non-Executive Directors are appointed for a three year term, which is renewable, with three months' notice on either side. The contract for the Chairman is subject to a six month notice provision on either side. For both Non-Executive Directors and the Chairman, no contractual termination payments would be due and both are subject to election pursuant to the Articles of Association at the Annual General Meeting.

### Chairman and Non-Executive Director fees

The fees were reviewed during 2017 and no changes were made. However, they have now been reviewed in line with market and therefore, for 2018, the basic fee for Non-Executive Directors will increase to £65,000 a year from 1 April 2018. All other fees will remain the same.

| | 2018 | 2017 | Change |
|---|---|---|---|
| Group Non-Executive Chairman | £300,000 | £300,000 | 0% |
| Basic fee for Non-Executive Director | £65,000 | £60,000 | 8% |
| Supplementary fees for: | | | |
| Chairman of Group Audit & Risk Committee Chairman | £22,500 | £22,500 | 0% |
| Chairman of Group Remuneration Committee | £20,000 | £20,000 | 0% |
| Group Senior Independent Director | £10,000 | £10,000 | 0% |

Nicholas Walsh is a member of the Board and ARC of the US Specialty business and of the ARC of the US Reinsurance business. He also attends meetings of the Executive Committee of the US Reinsurance business. He is paid an annual fee of £88,600 in respect of these commitments.

## SUPPORTING DISCLOSURES AND ADDITIONAL CONTEXT

### Percentage change in remuneration of Group Chief Executive

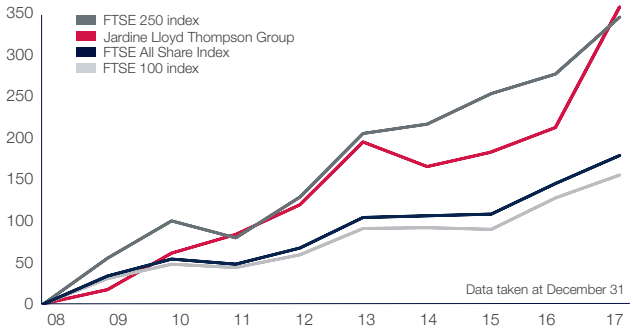
The table below compares the percentage change in salary, benefits and annual bonus of the Group Chief Executive and the average percentage change in salary, benefits and annual bonus of all JLT UK employees paid in respect of the year ended 31 December 2017.

| | Group Chief Executive | All JLT UK employees |
|---|---|---|
| Salary | 3% | 4% |
| Benefits | 32% | 11% |
| Annual Bonus | 40% | 10% |

### Performance graph and table

The chart shows the TSR of JLT in the nine year period to 31 December 2017 against the TSR of the FTSE 100, 250 and All Share Indices. TSR refers to share price growth and assumes dividends are reinvested over the relevant period. The Committee believes the FTSE 100, 250 and All Share Indices are the most appropriate indices against which the TSR of JLT should be measured, as there is no directly comparable quoted peer group for the Company in the UK.

### Total Shareholder Return from 2008 to 2017




The table below provides remuneration data for the Group Chief Executive for each of the nine financial years over the equivalent period.

| | 2009 £'000 | 2010 £'000 | 2011 £'000 | 2012 £'000 | 2013 £'000 | 2014 £'000 | 2015 £'000 | 2016 £'000 | 2017 £'000 |
|---|---|---|---|---|---|---|---|---|---|
| Single Total Figure of Remuneration | 2,836 | 3,728 | 3,831 | 3,821 | 3,969 | 3,322 | 2,896 | 2,554 | 3,361 |
| Bonus (% of Maximum) | 75% | 75% | 73% | 75% | 75% | 69% | 41% | 74% | 100% |
| LTIP vesting (% of Maximum) | 100% | 100% | 100% | 100% | 100% | 72% | 62% | 21% | 28% |

### Relative importance of spend on pay

The chart below shows total employee remuneration and distributions to shareholders, in respect of the years ending 31 December 2016 and 2017 (and the difference between the two).

| | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Total employee remuneration | £861.2m | £794.4m | 8% |
| Distributions to shareholders | £74.6m | £70.5m | 6% |

Total employee remuneration represents amounts included in note 6 to the financial statements in respect of wages, social security, pension and incentive costs for all Group employees.

Distributions to shareholders include the total dividend in respect of each financial year (see note 10 to the financial statements).

### External non-executive directorships held by Executive Directors

Dominic Burke is non-executive chairman of Newbury Racecourse plc. He retained the fee of £20,000 paid by Newbury Racecourse in respect of 2017. No other Executive Directors hold outside paid posts.

### Dilution

The Company continues to operate its share schemes in line with the Investment Association guidelines on dilution.

The Company follows a conservative approach to hedging for share awards made under LTIP, DBSP and other share-based schemes, whereby shares to satisfy such awards are normally purchased in the market and held in an employee trust.

The Company seeks to be fully hedged as far as possible against awards made. At 31 December 2017 the total awards outstanding in respect of the LTIP, DBSP and other share-based schemes totalled 9,833,701 shares representing 4.47% of the Company's issued share capital. This comprised 0.23% in respect of awards which were fully vested and 4.24% in respect of awards which had not yet vested.

### Statement of voting at Annual General Meeting

The Committee is directly accountable to shareholders and, in this context, is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration.

The Remuneration Committee Chairman is available to answer questions from shareholders regarding remuneration at the AGM.

At the Annual General Meeting held on 27 April 2017, votes were cast by proxy and at the meeting in respect of Directors' remuneration are shown in the table below.

| | Votes For | | Votes Against | | Total votes cast | Votes withheld |
|---|---|---|---|---|---|---|
| Resolutions | No. of shares | % | No. of shares | % | | |
| Annual remuneration for year ending 31 December 2016 | 178,263,656 | 97.52 | 4,534,004 | 2.48 | 182,797,660 | 36,307 |
| Remuneration Policy | 174,734,097 | 95.59 | 8,066,837 | 4.41 | 182,800,934 | 33,033 |

Votes For include votes registered as "Discretion".

## DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The dates on which Directors' service agreements or letters of appointment commenced and the current expiry dates are as follows:

| | Date of Appointment | Expiry date of current service agreement or letter of appointment | Notice Period by the Individual | Notice Period by the Company |
|---|---|---|---|---|
| **Chairman and Executive Directors** | | | | |
| Geoffrey Howe | 11 January 2006 | N/A | 6 months | 6 months |
| Dominic Burke | 14 December 2001 | N/A | 12 months | 12 months |
| Charles Rozes | 1 September 2015 | N/A | 12 months | 12 months |
| Mark Drummond Brady | 1 April 2005 | N/A | 12 months | 12 months |
| **Non-Executive Directors** | | | | |
| Annette Court | 1 August 2012 | 31 July 2018 | | |
| Andrew Didham | 2 October 2017 | 1 October 2020 | | |
| Adam Keswick | 1 September 2016 | 31 August 2019 | | |
| Richard Meddings | 2 October 2017 | 1 October 2020 | | |
| Lord Sassoon | 30 April 2013 | 30 April 2019 | | |
| Nicholas Walsh | 1 October 2014 | 30 September 2020 | | |

## THE COMMITTEE

### Committee Membership & Attendance

The table below shows the Committee members during the year and their attendance at Committee meetings:

| | Eligible to attend | Attended |
|---|---|---|
| Richard Meddings[3] (Chairman) | 2 | 2 |
| Bruce Carnegie-Brown[1] | 3 | 3 |
| Annette Court | 5 | 5 |
| Jonathan Dawson[2] | 3 | 3 |
| Andrew Didham[3] | 2 | 2 |
| Adam Keswick | 5 | 5 |
| Lord Sassoon | 5 | 5 |
| Nicholas Walsh | 5 | 5 |

[1] Bruce Carnegie-Brown retired on 14 June 2017

[2] Jonathan Dawson retired on 3 October 2017

[3] Richard Meddings and Andrew Didham were appointed on 2 October 2017

The Committee comprises the six Non-Executive Directors. The Chairman, Group Chief Executive, Group Finance Director and Group HR Director may attend the Committee by invitation, except when their own remuneration is being discussed. No Director is involved in determining his or her own remuneration. None of the Committee members have any personal financial interest except as shareholders.

The Group Company Secretary acts as Secretary to the Committee.

## INDUCTIONS

On appointment, new Committee members receive an appropriate induction consisting of the review of the Terms of Reference, previous Committee meeting papers and meetings with senior personnel and advisers.

## THE ROLE OF THE COMMITTEE

The principal purpose of the Committee is to determine the Company's policy on the remuneration of the Chairman, Executive Directors and other members of the Group Executive Committee, as well as to approve specific remuneration packages for each of them. The Remuneration Policy was voted on and approved at the 2017 Annual General Meeting. The voting figures can be found on page 87.

The full terms of reference of the Committee have been approved by the Board and are available on the Group's website, jlt.com.

### Key Responsibilities

| Roles and Responsibilities of the Remuneration Committee | |
|---|---|
| **Remuneration and Policy Framework** | To determine and agree with the Board the framework and policy for the remuneration of the Group Chief Executive, Chairman, the Executive Directors and other members of the Group Executive Committee (GEC);<br>In determining such policy, to take into account information about remuneration in other relevant companies and trends in remuneration across the Group. |
| **Annual bonus plans** | To approve the design of, and determine targets and vesting schedule for, any annual bonus plans for the Executive Directors and other members of the GEC. |
| **Share incentive plans** | To review the design of all share incentive plans for approval by the Board and (where applicable) shareholders. To determine whether awards will be made and, if so, the overall amount of such awards and the performance targets to be used. |
| **Individual remuneration packages** | Within the terms of the agreed Policy, to determine the total individual remuneration package of each Executive Director and other members of the GEC and the terms of any compensation payable for loss of office or employment. |
| **Significant remuneration proposals for below GEC level** | To be informed of, and be consulted by, the Group Chief Executive on any significant proposals relating to remuneration for executives below the GEC level, including significant new hirings. |
| **Disclosure requirements** | To ensure that all disclosure requirements in relation to remuneration are fulfilled. |
| **Remuneration consultants** | To appoint and manage the engagement of any remuneration consultants who advise the Committee. |

### Effectiveness of the Remuneration Committee

A review of the Committee's effectiveness was carried out in respect of 2017. All members and regular attendees of the Committee were asked to complete a questionnaire and the feedback was discussed by the Committee. The results of the review were positive, acknowledging the smooth transition to a new Chairman, who was seen to promote effective and efficient meetings. Discussions were seen as high quality, focusing on the appropriate areas, with a good level of constructive debate and robust challenge. There was seen to be good interaction between members and management. Opportunities for further improvements were identified, including in relation to the provision of more concise papers and the provision of additional market insights to the Committee.

### Committee Advisers

The Remuneration Committee advisers are appointed by the Committee and their roles are kept under review.

During the year Deloitte LLP have been retained by the Committee in their capacity as Remuneration Committee advisers. Deloitte LLP were originally appointed in 2011 following a selection process undertaken by the Committee. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is comfortable that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with Jardine Lloyd Thompson Group plc that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during 2017 were £7,000. Deloitte LLP also provide services to the Group in respect of corporate tax advice, internal audit assistance, regulatory reporting and Company share schemes.

**Remuneration Committee Activities in 2017**

The following table provides a summary of the key areas of focus at each of the Committee's meetings during the year:

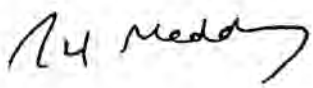
| | | 19 Jan 2017 | 23 Feb 2017 | 16 May 2017 | 3 Oct 2017 | 12 Dec 2017 |
|---|---|---|---|---|---|---|
| **Strategy and policy** | Discussion of the Directors' Remuneration Report | | • | | | |
| | Revised Remuneration Policy | • | | | | |
| | Consideration of remuneration strategy and approach | | | | • | |
| **Annual Salary** | Review of salaries for Executive Directors and GEC | • | • | | | |
| **Annual Bonus** | Review of executives' personal objectives | | • | | | |
| | Review of executive performance | | • | | | |
| | Determination of bonus outcomes | • | • | | | |
| | Setting of measures and targets | • | | | | |
| **LTIP** | Determination of vesting levels | • | • | | | |
| | Setting of measures and targets | • | | | | |
| **Other** | Senior management reward arrangements | • | • | • | | • |
| | Committee Effectiveness | | • | | | |
| | Engagement with Shareholders | | • | | • | |
| | Legal and Governance Developments | | | | • | |
| | Gender Pay Gap | | | | • | • |

## COMPLIANCE

In carrying out its duties, the Committee gives full consideration to best practice. The Committee was constituted and operated throughout the period in accordance with the principles outlined in the FCA's Listing Rules derived from the Code. The auditor's report, set out on pages 100 to 106, covers the disclosures referred to in this report that are specified by the FCA.

This report has been prepared by the Committee in accordance with the Code, Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules.

For and on behalf of the Board.



**Richard Meddings**
Chairman, Remuneration Committee
28 February 2018

# DIRECTORS' REPORT

The Directors present their report and audited consolidated financial statements of the Group for the year ended 31 December 2017.

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2016

As a company with a premium listing on the London Stock Exchange, we are committed to complying with the UK Corporate Governance Code 2016 (the 'Code'), which is available on the FRC website at frc.org.uk. Throughout the accounting period, we have complied with the provisions of Sections A to E of the Code as detailed below, with the exception of those listed and as explained in the following table:

| Provision | Requirement | Non-compliance |
|---|---|---|
| B.1.2 | At least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. | Between 1 January and 14 June 2017, excluding the Chairman, the Board comprised six Non-Executive Directors (four Independent and two Non-Independent) and three Executive Directors. On 14 June 2017, Bruce Carnegie-Brown retired from the Board.<br>The Company became compliant with the Code on 2 October 2017 following the appointment of two Independent Non-Executive Directors, Andrew Didham and Richard Meddings. Following Jonathan Dawson's resignation on 3 October 2017, excluding the Chairman, there were six Non-Executive Directors (four Independent and two Non-Independent) and three Executive Directors. Lynne Peacock has been appointed as an additional Independent Non-Executive Director with effect from 1 May 2018, from which date the Company expects to be compliant with Code provision B.1.2. |
| B.2.1 | A majority of members of the nomination committee should be independent non-executive directors. | Between 1 January 2017 and 14 June 2017, the Committee's composition met the requirements of the Code. Following Bruce Carnegie-Brown's resignation on 14 June 2017, the Committee was comprised of the Chairman, three Independent Non-Executive Directors, and two Non-Independent Non-Executive Directors.<br>The Company became compliant with the Code on 2 October 2017 following the appointment of two Independent Non-Executive Directors, Andrew Didham and Richard Meddings. |
| C.3.1 | The Board should establish an audit committee of at least three independent non-executive directors. | Throughout the year, the Committee was comprised of at least three Independent Non-Executive Directors, in addition to Lord Sassoon, a Non-Independent Non-Executive Director. |
| D.2.1 | The Board should establish a remuneration committee of at least three, independent non-executive directors. | Throughout the year, the Committee was comprised of at least three Independent Non-Executive Directors, in addition to Lord Sassoon and Adam Keswick, both of whom are Non-Independent Non-Executive Directors. |

The Nominations Committee has led a formal and rigorous process to replace outgoing members of the Board. Every effort has been made to search for individuals with the talent and experience to complement the existing Board. As a result of that process, Andrew Didham and Richard Meddings were appointed as Independent Non-Executive Director on 2 October 2017. Lynne Peacock has also been appointed as an Independent Non-Executive Director with effect from 1 May 2018, and therefore the Board balance will comply with Code provision B.1.2 from that date.

Since 1997, other than for three months in 2016, JLT has had two representatives of Jardine Matheson on the Board. Jardine Matheson has a 40.16% interest in the Company. As a result, the Jardine Matheson-appointed Directors are considered to be Non-Independent Non-Executive Directors. The relationship with Jardine Matheson is maintained on an arm's length basis as detailed on page 66 and in note 32 on page 160.

The Jardine Matheson-appointed Directors, Lord Sassoon and Adam Keswick, will be standing for re-election at the Company's AGM. In addition to their Board roles, the Jardine Matheson-appointed Directors hold Committee memberships. Lord Sassoon is a member of the Audit & Risk, Nominations and Remuneration Committees and Adam Keswick is a member of the Nominations and Remuneration Committees.

JLT has always sought to satisfy shareholders with an appropriate explanation of any areas where it does not comply with the Code and to provide a full explanation for retaining the Jardine Matheson Directors on the Board and relevant Committees. The Board strongly believes that the continuation of these arrangements is in the best interests of the Company's shareholders for the following reasons:

- we believe our Board functions very well and has an appropriate combination of Independent and Non-Independent Non-Executive Directors, in line with the Code's principle that no individual or small group of individuals should be able to dominate the Board's decision-making;
- there are at least three (currently four) Independent Non-Executive Directors on each Committee and each Committee comprises a majority of Independent Directors. Committee effectiveness reviews confirm that each Committee is considered to operate, and discharge its duties and responsibilities, effectively as currently constituted;
- the business and profits of JLT have grown significantly in recent years and we believe the overall contribution of Jardine Matheson and its nominated Directors has been material to this;
- Jardine Matheson has clearly demonstrated that it is a committed, long-term shareholder. We believe that its interests are fundamentally aligned to the interest of other shareholders. In the Board's experience, over many years, conflicts of interest between Jardine Matheson and the other shareholders of JLT rarely occur, but if they do (for example where Jardine Matheson has sought to increase its shareholding in JLT) the Jardine Matheson-appointed Directors recuse themselves from any relevant discussions;
- we believe that the continuing support of Jardine Matheson has been, and will continue to be, of great importance to the success of JLT, especially in Asia, a key growth market for the Company, where Jardine Matheson's reputation and connections are of great value to us; and
- as individuals, Lord Sassoon and Adam Keswick bring skills and experience that complement the balance of the Board and its Committees, supporting an effective decision-making process and providing appropriate levels of challenge to the Executive management.

The following table describes in more detail how we have complied with the respective provisions of the Code.

## A. LEADERSHIP

### A1 The role of the Board

The Board is responsible for setting the Company's strategy and monitoring the performance of the Company as a whole. Details of matters discussed by the Board are set out on page 64.

### A2 Division of Responsibilities

The roles of the Chairman and Group Chief Executive are distinctly separate and are clearly defined. The Chairman, Geoffrey Howe, is responsible for the leadership and governance of the Board.

The Group Chief Executive, Dominic Burke, is responsible for the day-to-day operation of the business in line with the strategy and commercial objectives agreed by the Board. He is also responsible for promoting and conducting the affairs of the Company with the highest standards of ethics, integrity and corporate governance.

### A3 The Chairman

The Chairman, Geoffrey Howe, is responsible for the leadership and governance of the Board, ensuring its effectiveness, setting agendas, ensuring that the Directors receive accurate, timely and clear information and that there is effective communication with shareholders. He facilitates the effective contribution to the Board of the Non-Executive Directors in particular ensuring constructive relationships between the Executive and Non-Executive Directors.

### A4 Non-Executive Directors

The Non-Executive Directors provide strong and robust independent oversight to the proceedings of the Board. In addition, they bring external experience from other financial services companies and international businesses. The letters of appointment for the Non-Executive Directors are available for inspection at the AGM of the Company. All Non-Executive Directors confirm on appointment they have sufficient time to fulfil their commitments.

## B. EFFECTIVENESS

### B1 The composition of the Board

The Nominations Committee annually reviews the balance and experience of the Board. The Nominations Committee has also considered the issue of director independence and knowledge and confirmed that the Directors have the right level of experience to promote the long-term performance of the Company. Details of the Directors' experience are shown in the chart on page 62.

### B2 Appointments to the Board

The process for the appointment of new Directors to the Board is led by the Nominations Committee. Further details of the appointments made during the year and succession planning activities can be found in the Nominations Committee Report on pages 75 to 77.

### B3 Commitment

Non-Executive Directors are advised on appointment of the time commitment expected of them, and this is reviewed regularly. External appointments which might impact on existing time commitments must be agreed with the Chairman.

### B4 Development

All new Directors are invited to take part in a comprehensive induction programme. Details of the programme undertaken by Andrew Didham and Richard Meddings, who were appointed during the year, are set out on page 65.

### B5 Information and Support

The Chairman and Group Company Secretary work together to ensure that all Directors receive full and accurate information in a timely manner.

### B6 Evaluation

The Board and Committees undertake evaluations every year. Internal evaluations were performed in 2017 following an externally led review in 2016.

### B7 Re-election

All Directors were subject to shareholder election or re-election at the 2017 AGM, and the same process will apply at the 2018 AGM.

## C. ACCOUNTABILITY

### C1 Financial and Business Reporting

The Strategic Report, which can be found on pages 2 to 55, sets out details of the Company's performance, business model and strategy, and the risks and uncertainties relating to the Company's future prospects.

### C2 Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems, and for regularly reviewing their effectiveness. The activities of the Audit & Risk Committee, which supports the Board on this matter, are described on pages 67 to 74 and the Risk Management Report is included on pages 41 to 45.

### C3 Audit & Risk Committee and auditor

The Board has delegated a number of responsibilities to the Audit & Risk Committee, which is responsible for overseeing the Company's financial reporting processes, internal controls and risk management framework, and the work undertaken by the external auditor.

## D. REMUNERATION

### D1 The level and components of remuneration.

The Remuneration Committee is responsible for setting the Company's remuneration policy. The key principles and framework adopted by the Committee are set out in the Directors' Remuneration Report on pages 80 to 81.

### D2 Procedure

The Remuneration Committee is responsible for setting the remuneration of all Executive Directors. Details of the composition and the activities of the Committee are set out in the Directors' Remuneration Report on pages 78 to 90.

## E. RELATIONSHIP WITH SHAREHOLDERS

### E1 Dialogue with shareholders

The Board seeks to engage actively with all shareholders. Details of activity undertaken in this area can be found on page 66.

### E2 Constructive use of the AGM

The AGM provides the Board with an important opportunity to meet with shareholders. All of the Directors are expected to attend and will be available to answer questions from shareholders attending the meeting.

## DIRECTORS

The biographical details of the currently serving Directors are set out on pages 58 to 59. The Directors who served during the year were: Geoffrey Howe; Dominic Burke; Mark Drummond Brady; Charles Rozes; Bruce Carnegie-Brown (retired from the Board on 14 June 2017); Annette Court; Jonathan Dawson (retired from the Board on 3 October 2017); Adam Keswick; Lord Sassoon; Nicholas Walsh; Richard Meddings (appointed to the Board on 2 October 2017); and Andrew Didham (appointed to the Board on 2 October 2017).

The interests of current Directors and their immediate families in the shares of the Company, along with details of Directors' share options, are contained in the Directors' Remuneration Report set out on pages 78 to 90. At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries.

## PRINCIPAL ACTIVITIES AND STRATEGIC REPORT

Jardine Lloyd Thompson Group plc is a holding company, domiciled and incorporated in the UK with Registered Number 01679424, as an international group of insurance brokers, risk specialists and employee benefits consultants.

The Strategic Report on pages 2 to 55 covers the activities of the Group, its performance during the year and likely future developments.

## RESULTS AND DIVIDENDS

The financial statements for the Company for the year to 31 December 2017 are detailed on pages 171 to 175.

The Directors recommend that a final dividend of 21.8 pence per share be paid on 8 May 2018 to shareholders on the register on 3 April 2018. This brings the total dividend for the year to 34.0 pence per share, an overall increase of 5.6% over the previous year.

## POST BALANCE SHEET EVENTS

On 14 February 2018, the Group acquired, subject to FCA approval, a 100% ownership interest in Chartwell Healthcare Ltd, one of the leading Private Medical Insurance brokers in the SME market in the UK.

On 28 February 2018, the Group announced the acquisition of a 100% ownership interest in International Risk Consultants Inc., one of the leading trade credit and political risk insurance brokers in the US, with operations in Hong Kong and Brazil.

## EMPLOYMENT POLICIES

The Group aims to provide an environment where individuals can excel. Wide share ownership, share option schemes and the Share Incentive Plan encourage employee engagement. Regular briefings and consultation, using the JLT intranet where possible, keeps colleagues informed about the Group's performance and matters that affect them as employees. Additionally we offer a wide range of benefits for colleagues including health and lifestyle benefits.

During 2017 JLT refreshed the Employee Handbook bringing together a number of in-force policies and ensuring that current employees and new joiners have valid information on their contractual terms and related JLT policies to hand.

JLT operates a strict regulatory framework under which all colleagues are required to undertake, and complete, a number of training modules on an annual or biannual basis. The purpose of the regulatory training is to: refresh employees' understanding and awareness of a number of core risks and the actions needed to manage them for the benefit of clients and JLT; help protect employees from breaching JLT Policy; and, for UK employees, aid them to comply with legal and regulatory requirements, including those of the Financial Conduct Authority and the UK Information Commissioner.

Further information about the Group's employment practices can be found in the Corporate Responsibility Report on pages 51 to 52.

JLT is an equal opportunities employer and engages in programmes to attract greater diversity of talent. Programmes include increasing the number of apprenticeships in the business, broadening the intake of graduates and establishing targeted management programmes to support inclusive leadership at all levels of the organisation.

Our recruitment and selection policy supports this as we focus on a candidate's skills, experiences and potential within the business. Everyone is judged fairly on their merits. We promote fair and consistent treatment and ensure that colleagues are promoted and developed on the basis of their ability.

We are committed to ensuring that disabled people are afforded equality of opportunity in respect of entering and continuing employment with us. If existing colleagues become disabled, every effort is made to ensure that their employment with the Group continues. If such colleagues are unable to continue to work, every effort is made to safeguard their financial interest. The Group aims to provide recruitment, training, development and promotion opportunities that are identical, as far as possible, for disabled and non-disabled colleagues.

For further information about our Diversity and Inclusion initiatives, please visit our Employee Diversity page on jlt.com or refer to the Corporate Responsibility Report on pages 50 to 51.

## POLITICAL DONATIONS

It is JLT Group policy not to make donations to any political party.

## SUBSTANTIAL SHAREHOLDINGS

At 31 December 2017 and 22 February 2018 (the latest practicable date prior to the date of this Report), the Company had been notified of the following significant holdings of voting rights in its shares:

| Shareholder | 31 December 2017<br>% of voting rights | 22 February 2018<br>% of voting rights |
|---|---|---|
| JMH Investments Limited | 40.16 | 40.16 |
| MFS Investment Management | 7.01 | 7.00 |
| Royal Bank of Canada (EBT Trustee) | 3.45 | 3.42 |

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements, and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and the Group, and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. Each of the Directors whose names and functions are listed on pages 58 and 59 confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report, contained in pages 2 to 55 of the Annual Report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Each Director as at the date of this Report, further confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## JLT VIABILITY STATEMENT

As prescribed by provision C.2.2 of the UK Corporate Governance Code (the 'UK Code'), the Board has conducted a detailed assessment of those risk events that could threaten JLT's ability to continue to operate and meet its liabilities as they fall due over a three-year period. This time scale is believed to be appropriate for the following reasons:

- a three-year period aligns with JLT's business and strategic planning process and the short business cycles associated with general insurance;
- given the environment JLT operates in, the use of any time period greater than three years means increasing the level of uncertainty over key assumptions used within the assessment;
- the stress and scenario tests are considered over a three year period (as applicable), a period which provides management with the opportunity to implement mitigations to return the business to 'normal' trading conditions; and
- difficulty or inability to accurately predict the nature and impact of environmental factors that could have a bearing on the Group with a crystallisation period in excess of three years.

The Company's principal risks are at the heart of this rigorous assessment which included the following core components:

- Financial sensitivity testing – A series of key financial metrics are stressed, including levels of planned revenue, the development of key strategic operations, changes in foreign exchange and interest rates, and cash flow;
- Key risk testing – Assessing the impact of a combination of principal risks crystallising during the viability period. Risks captured within the scenario testing include Litigation (Non E&O), Information Security/Cyber, Privacy, Loss of Revenue, Bribery and Corruption and Competition;

- Reverse stress testing – Estimating the quantum of a loss, which may ultimately threaten the Company's viability, if not effectively managed. This is then reviewed in the context of two of the key principal risks facing JLT, E&O risk and Cyber risk; and
- Principal risks & environmental factors – Reviewing the Company's principal risks in the context of the key environmental factors and considerations over the next three years. These included key trends, issues, uncertainties (such as the regulatory environment and disruptive technology), known potentially impactful events and emerging risks (for example geopolitical risk).

The financial model incorporates the Group's 2018 budget, and a series of projections for 2019 to 2020. This model is the basis on which the results of stressing the firm's cash flow and balance sheet are derived.

As a result of this assessment, the Directors can confirm it is their reasonable expectation that, over the next three years, the Company will continue to operate and meet its ongoing liabilities as they fall due.

This statement is underpinned by various mitigating factors including the Company's control environment, capital requirements and resources, together with the quality and accessibility of its funding facilities.

## GOING CONCERN

The Strategic Report on pages 2 to 55 includes information on the Group structure, the performance of our businesses, the markets in which we operate and the principal risks and uncertainties faced by the business. The Financial Statements on pages 100 to 169 include information on our Group financial results, cash flow and balance sheet position.

The Directors have also considered the Group's cash flow projections, presented in the review of the budget for the full year to 31 December 2018, as well as work undertaken for the Viability Statement. The Directors are satisfied that these cash flow projections, taking into account reasonably possible risk sensitivities associated with these forecasts and the Group's current funding and facilities, alongside the Group's funding strategy, show that the Group will continue to operate and meet its liabilities for a period of at least 12 months from the date of approval of the financial statements for the year ended 31 December 2017.

The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting (in accordance with "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" issued by the FRC in September 2014) in preparing the financial statements.

There has been no significant change in the financial or trading position of the Group since 31 December 2017.

## OTHER STATUTORY INFORMATION

### Directors' Indemnity and Insurance

The Company provides the appropriate level of Directors' and Officers' Liability Insurance in respect of any legal actions brought against its Directors, in addition to the indemnity included in the Company's Articles of Association. Neither the insurance nor the indemnity provides cover where the relevant Director or Officer acted fraudulently or dishonestly.

# SHAREHOLDER INFORMATION

## SHARE CAPITAL

The issued share capital of the Company and details of movements in the share capital are shown in note 24 to the financial statements. As at 31 December 2017, the issued share capital consisted of 220,181,007 ordinary shares of 5 pence each, of which 1,143,131 shares were held as treasury shares for which voting rights are not exercised.

The Company has one class of share capital, being ordinary shares of 5 pence each, and all the shares rank pari passu. The holders of ordinary shares on the record date are entitled to receive dividends. No person holds securities carrying special rights with regard to control of the Company. The shares are admitted to trading on the London Stock Exchange and may be traded through the CREST system.

The Board has the power to implement the purchase by the Company of its own shares in accordance with the power granted at the AGM each year, and will be seeking renewal of that power at the forthcoming AGM within the limits set out in the notice of that meeting. The Company did not purchase any of its own shares during the year.

All the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions as may be appropriate at that time.

## SHARES HELD IN TRUST

As at 31 December 2017, the Jardine Lloyd Thompson Employee Benefit Trust (the Trust) held 7,557,229 shares in the Company representing 3.45% of the issued capital (excluding treasury shares). As of 22 February 2018 (being the latest practicable date prior to the date of this Report), the Trust held 7,492,791 shares representing 3.42% of the issued capital (excluding treasury shares).

In relation to LR 9.8.4R(12) and (13), the Trustees of the JLT Employee Benefit Trust agree to waive dividends on the shares held by the Trust to meet the awards under the long term incentive plans and the Senior Executive Share Scheme.

## DIVIDENDS AND DISTRIBUTIONS

Shareholders can declare final dividends by passing an ordinary resolution, but the amount of the dividend cannot exceed the amount recommended by the Board.

The Board can pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment. The Board can withhold payment of all or any part of any dividend or other monies payable in respect of the Company's shares from any person with a 0.25% interest (as set out in the Articles) if that person has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act (2006). The Directors may also retain any dividends payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

## VOTING RIGHTS

On a show of hands at a general meeting, every member present in person has one vote and on a poll, every member who is present in person or by proxy has one vote for each share held. In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members in respect of the share. Voting rights in relation to treasury shares are suspended and the voting rights are not normally exercised in respect of the shares held in the Employee Benefit Trust, which are used to satisfy awards made under the Company's share plans.

## RESTRICTIONS ON VOTING

No member, unless the Directors otherwise determine, is entitled to vote either in person or by proxy at any general meeting in respect of any shares held by the member if any call or other sum then payable by the member in respect of that share remains unpaid. In addition, no member is entitled to vote if the member has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

## DEADLINES FOR VOTING

Votes may be exercised in person, by proxy or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting, and the notice of AGM will specify the deadline for exercising voting rights.

A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meetings as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company.

## VARIATION OF RIGHTS

If, at any time, the capital of the Company is divided into different classes of shares then, subject to statute, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of at least 75% in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting, the quorum is two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

## PURCHASE OF OWN SHARES

Shareholders approved the authority for the Company to buy back up to 10% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. We will not be seeking shareholder approval for a 'Rule 9' dispensation in relation to this authority pursuant to the Takeover Code. This means that in the event that the directors were to initiate a buy-back, in order to avoid triggering a mandatory offer obligation upon Jardine Matheson Holdings Limited (JMH) under Rule 37 of the Takeover Code, JMH would need to participate in any such buy-back so that its overall percentage holding (which at 22 February 2018 was 40.16%) did not increase following the buy-back.

Although the Company has not utilised the authority to buy back shares since 2008, the Board believes that it would be in the interests of all shareholders for the Company to continue to have the right to purchase its own shares in the market in appropriate circumstances. We would only exercise this authority if we believe that it is in the best interest of shareholders and would result in an improvement in earnings per share.

## ARTICLES OF ASSOCIATION

The powers of the Directors are determined by UK legislation and the Articles of Association. The Directors are authorised to issue and allot shares, and to undertake purchases of Company shares, subject to shareholder approval at the AGM. Any amendment of the Articles requires shareholder approval in accordance with legislation in force from time to time. Copies will be available at the Company's AGM and can also be accessed on the Group's website: jlt.com.

## ANNUAL GENERAL MEETING

The 2018 AGM will be held at 12.00 noon on 1 May 2018 at the St Botolph Building, 138 Houndsditch, London EC3A 7AW. Full details will be included in the Notice of Meeting.

## INDEPENDENT AUDITOR

Following review, the Board proposes that PricewaterhouseCoopers LLP are re-appointed as the Company auditor. A resolution proposing this will be put to the AGM.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this Annual Report and Financial Statements. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information.

The Group cautions investors that a number of factors, including matters referred to in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, the principal risks and financial risks discussed in the Risk Management Report on pages 41 to 45.

Neither the Group, nor any of the Directors, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Undue reliance should not be placed on these forward-looking statements. The Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## ADDITIONAL DISCLOSURES

The Company has chosen, in accordance with Section 414 c(11) of the Companies Act 2006, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' Report. The Strategic Report (on pages 2 to 55) provides an overview of the Company's business, its position and performance during the year ended 31 December 2017. It also includes the following information:

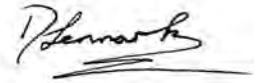
- information about greenhouse gas emissions (page 47 and 48);
- an indication of likely future developments in the business of the Company (page 2 to 55); and
- use of financial instruments, information on the Group's financial risk management objectives and policies, its exposure to credit risk and foreign currency risk and its use of financial instruments (page 41 to 45).

For compliance with Rules 4.1.5 R (2) and DTR 4.1.8 R of the FCA's Disclosure Guidance and Transparency Rules the content of the Management Report can be found in the Strategic Report and the Directors' Report (on pages 2 to 55 and pages 91 to 98 respectively).

Disclosures required by Listing Rule 9.8.4 C R can be found at the locations provided in the table below:

| Section | Subject | Location |
|---|---|---|
| 1 | Interest capitalised | Not applicable |
| 2 | Publication of unaudited financial information | Not applicable |
| 3 | N/A (Section 3 removed from the FCA handbook) | Not applicable |
| 4 | Long-term incentive schemes | Page 124 |
| 5 | Director waiver of emoluments | Not applicable |
| 6 | Director waiver of future emoluments | Not applicable |
| 7 | Non pre-emptive issues of shares for cash | Not applicable |
| 8 | Non pre-emptive issues by a major subsidiary undertaking | Not applicable |
| 9 | Any participation in a placing by a listed subsidiary undertaking | Not applicable |
| 10 | Contracts of significance | Not applicable |
| 11 | Provision of services by a controlling shareholder | Not applicable |
| 12 | Shareholder waivers of dividend | Page 96 |
| 13 | Shareholder waiver of future dividend | Page 96 |
| 14 | Agreements with controlling shareholders | Page 66 |

By Order of the Board



**Darren Lennark**
Group Company Secretary
28 February 2018

# FINANCIAL STATEMENTS

Includes the report of the Independent Auditor and the primary reporting statements as well as the accounting policies under which the financial statements have been prepared.



## NOTES TO THE FINANCIAL STATEMENTS

Contains the supporting notes to the financial statements which provide further detail and analysis



## COMPANY FINANCIAL STATEMENTS

Includes UK GAAP accounts of the company

# INDEPENDENT AUDITORS' REPORT

to the members of Jardine Lloyd Thompson Group plc

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion:

- Jardine Lloyd Thompson Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's and the company's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the group and parent company Balance Sheet as at 31 December 2017; the group and parent company Income Statements and Statements of Comprehensive Income, the group Statement of Cash Flows, and the group and parent company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

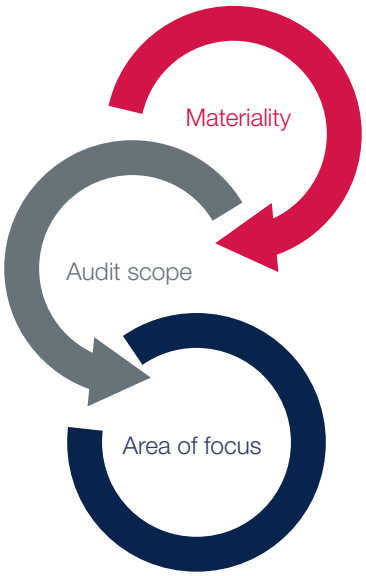
To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in Note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2017 to 31 December 2017.

# INDEPENDENT AUDITORS' REPORT CONTINUED

## OUR AUDIT APPROACH

### Overview




- Overall group materiality: £9.5m (2016: £8.6m), based on 5% of underlying profit before tax, which comprises profit before tax adjusted for non-recurring exceptional items.
- Overall company materiality: £1.1m (2016: £1.2m), based on 0.5% of net assets.

- We scoped the audit based on entities that significantly contribute to underlying profit before tax (greater than 15%), thereafter based on material components in order to obtain sufficient coverage of the group.
- We conducted full scope audits of the financial information of 14 reporting entities, across six countries.
- We conducted specified procedure reviews of financial information of two reporting entities across two countries.
- Certain group functions and entities, including those covering treasury, taxation and pensions were also subject to full scope audits.
- Taken together, these territories and functions where we performed our procedures accounted for 73% of group revenue and 77% of underlying profit before tax.

We focused on the following key audit matters:

- Complex and judgemental areas of revenue recognition.
- Completeness and valuation of litigation provisions.
- Valuation and impairment of intangible assets.
- Valuation of pension deficit.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industries in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, review of correspondence with legal advisors, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Complex and judgemental areas of revenue recognition**<br>The significant accounting policies section of the financial statements discloses JLT's revenue accounting policy (refer to page 115).<br>Revenue is the largest balance in the group financial statements. The group has a number of revenue streams for which the timing and extent of revenue recognition is considered to be more complex or judgemental, for example, revenue streams with ongoing performance conditions, long term revenue streams which generate significant accrued income balances and third party revenue sharing arrangements. | • We have performed walkthroughs of key controls relevant to material revenue streams and performed testing over these controls in order to obtain comfort over the cut off, occurrence and accuracy of revenue around the group.<br>• We substantively tested the timing of recognising revenue in material revenue streams by reviewing and assessing contractual terms and performance obligations to customers.<br>• We substantively tested accrued and deferred revenue by evaluating the appropriateness of the key assumptions and considering the accuracy of prior year estimates against the current year realisation which did not identify unusual or irregular items.<br>• We reviewed unusual or complex contracts, for example, third party pay away arrangements, and assessed them to ensure there is appropriate revenue recognition in line with the terms of the contract.<br>Based on the results of our testing we did not identify any areas where we deemed revenue recognition was inappropriate. |
| **Completeness and valuation of litigation provisions**<br>As at 31 December 2017, the Group had a litigation provision of £6.3m (2016: £7.4m).<br>The significant accounting policies section of the financial statements discloses JLT's accounting policy in relation to litigation provisions (refer to page 115) and Note 23 outlines the detailed provision disclosures.<br>There is an inherent level of uncertainty that surrounds litigation provisions in relation to potential and actual claims where clients or third parties believe there has been fault in the services provided.<br>Consequently a high degree of management judgement is involved in determining the level of provision required. | • We updated our understanding of management's process to identify and evaluate provisions for potential and outstanding litigation for the group.<br>• We met with management to discuss new significant legal provisions as well as changes to significant existing potential and actual legal provisions.<br>• We reviewed the E&O register maintained by the Group Legal department as well as minutes of committee meetings.<br>• In instances where external legal counsel was engaged, we obtained external confirmations.<br>• We substantively tested legal expenses across the Group to identify any other potential areas of unrecorded potential and actual claims.<br>• We understood the underlying assumptions, rationale and sensitivities having regard to the potential for bias.<br>• We considered the appropriateness of the judgements and sensitivities management have adopted to determine any significant legal provisions, as well as the resulting disclosures.<br>• We have reviewed the accuracy of management's estimates in the prior years against actual settlements or current estimates.<br>Based on the work performed we found that the assumptions used were supported by the evidence we obtained. The nature of the provisions, being determined on an assessment of legal outcomes, means any final settlement is subject to significant uncertainty. The results could differ, possibly materially, from the amounts provided. |

# INDEPENDENT AUDITORS' REPORT CONTINUED

| Area of focus | How our audit addressed the key audit matter |
|---|---|
| **Valuation and impairment of intangible assets**<br>As at 31 December 2017, the group had goodwill of £577.8m (2016: £543.0m) and intangible assets of £109.0m (2016: £102.0m).<br>The significant accounting policies section of the financial statements discloses JLT's accounting policy in relation to goodwill and intangibles (refer to page 113), and Notes 11 and 12 outline the detailed goodwill and intangible disclosures.<br>Based on the results of their impairment analysis, management determined there was headroom of the recoverable amount above the net asset value in each of the group's Cash Generating Units ('CGUs'), and therefore there was no impairment.<br>We focused on this area because the determination of whether or not certain elements of goodwill and intangible assets were impaired involves complex and subjective judgements by the Directors about the future results of the relevant parts of the business. Management calculates the recoverable amount by using a value in use ('VIU') discounted cash flow model underpinned by key assumptions which are the terminal growth rates and weighted average cost of capital ('WACC') by CGU. | • We evaluated the results of management's impairment assessment, including an assessment of the appropriateness of the methodology used to perform this, and performed substantive testing of all inputs into their valuation such as agreeing to the approved budgets and checking historical performance against the budget.<br>• We considered the appropriateness of the following key assumptions within management's valuation: Terminal growth rates in the forecasts by comparing them to economic and industry forecasts; and WACC by assessing the cost of capital for the company and comparable organisations.<br>• We performed sensitivity analysis around the key assumptions set out above to ascertain the extent of change in those assumptions that either individually or collectively would be required for goodwill to be impaired.<br>Based on our testing we determined that the impairment assessment performed is reasonable based on the current business plans and historical performance for both goodwill and significant intangible assets. |
| **Valuation of pension deficit**<br>As at 31 December 2017, the net pension liability is £169.3m (2016: £198.4m).<br>The significant accounting policies section of the financial statements discloses JLT's accounting policy in relation to the various pension arrangements (refer to page 115), and Note 31 outlines the detailed pension disclosures.<br>We focus on this area as the pension scheme obligation is highly sensitive to changes in the assumptions used within the model to calculate the valuation and subsequent charge or credit to the Statement of Other Comprehensive Income ('OCI').<br>Those assumptions to which the liability is most sensitive are as follows:<br>• Discount rate: Under IAS 19, the discount rate should be set with reference to the yield on high quality corporate bonds of term appropriate to the duration of the liabilities.<br>• Future rates of price inflation: the level of future pension payments is linked to price inflation indices. Various investment market statistics are used to form a view on the long term average rates of price retail and consumer price inflation.<br>• Post retirement mortality: Scheme specific base tables are used with an allowance for future improvements in life expectancy based on recent projections. These projections will depend on future expectations of improvements in life expectancy and are therefore uncertain. | • We tested the controls over the completeness and accuracy of pension scheme data on which the pension liability assumptions are based.<br>• We assessed the appropriateness of the methodology used by management including the key assumptions used to value the UK pension liabilities<br>- Discount rate: we considered the appropriateness of the 2.45% discount rate assumption used by reference to the iBoxx AA 15+ corporate bond index. We reviewed the adjustment made by management to match the duration of the liabilities and compared this to assumptions adopted by other schemes with a similar duration.<br>- Inflation rate: we agreed the rates used by management for each of these elements to the Bank of England inflation curve.<br>- Mortality: we considered the appropriateness of the base tables selected for use by management by reference to the mortality experience analysis completed by the UK Pension Scheme Trustees as part of the 2014 funding valuation.<br>From the evidence obtained we found the assumptions and methodology used to be appropriate. |

We determined that there were no key audit matters applicable to the company to communicate in our report.

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is organised on a worldwide basis into three main segments, based on the services and products offered: Risk & Insurance, Employee Benefits and Head Office & Other operations. The Risk & Insurance business comprises JLT's global specialist and reinsurance broking activities. The Employee Benefits business consists of pension administration, outsourcing and employee benefits consultancy, healthcare and wealth management activities.

The Head Office & Other segment consists mainly of holding companies, central administration functions, the Group's captive insurance companies and the Group's investments in associates.

There were three financially significant components made up of JLT Specialty Limited (Risk & Insurance), JLT Reinsurance Brokers Limited (Risk & Insurance), and Jardine Lloyd Thompson Australia Pty Limited and its controlled entities (Risk & Insurance). In addition we selected 11 further reporting entities based on their size and risk characteristics for full scope audits of their financial information, and two further reporting entities for specified procedures.

Taken together, the territories and functions where we performed our audit work accounted for 73% of group revenue and 77% of underlying profit before tax.

In establishing the overall approach to the group audit we determined the type of work that needed to be performed at the reporting units by us, the group engagement team, and component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

We issued instructions to each component engagement team. As part of the supervision process the group engagement team visited JLT operations in Hong Kong, Colombia, Brazil, the US, and the shared service operations in Mumbai. We have held regular planning and coordination calls with our component audit teams. During our half year review and year end audit we held weekly calls with each component audit team to ensure significant audit and accounting issues were discussed and insights are shared in a timely manner. We have attended half year and year end results calls with local management and our component audit teams to understand the local businesses. We have reviewed all inter-office reporting submissions from component audit teams. We have continued to undertake remote reviews of significant component work papers, this year reviewing Australia and the US.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|---|---|---|
| **Overall materiality** | £9.5m (2016: £8.6m). | £1.1m (2016: £1.2m). |
| **How we determined it** | 5% of underlying profit before tax, which comprises profit before tax adjusted for non-recurring exceptional items. | 0.5% of net assets. |
| **Rationale for benchmark applied** | When reviewing financial performance management focus on underlying profit (that is, profit before tax excluding non-recurring exceptional items). It is this measure that is used both to discuss performance of the group with investors and in calculating employee bonuses and therefore we have concluded it is the most appropriate measure of performance against which to set our materiality benchmark. | As the company is the ultimate parent for the group and does not actively trade, profit is not seen as a key indicator. Consequently, net assets has been deemed as an appropriate benchmark given the nature of the company being that of a holding company. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.5m and £7.0m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £470,000 (Group audit) (2016: £438,000) and £53,500 (Company audit) (2016: £60,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Going concern

In accordance with ISAs (UK) we report as follows:

| Reporting obligation | Outcome |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. |
| We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. | We have nothing to report. |

# INDEPENDENT AUDITORS' REPORT CONTINUED

## REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 94 and 95 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 95 and 96 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on pages 94 and 95, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 69 and 70 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

**Responsibilities of the directors for the financial statements**
As explained more fully in the Statement of Directors' Responsibilities set out on pages 94 and 95, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**Use of this report**
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

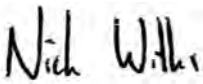
## OTHER REQUIRED REPORTING

**Companies Act 2006 exception reporting**
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Appointment**
Based on the records available, we were first appointed by the directors in 1997 to audit the financial statements for the year ended 31 December 1997, and have been annually reappointed by the members at the Annual General Meeting for subsequent financial periods. The period of total uninterrupted engagement is 21 years, covering the years ended 31 December 1997 to 31 December 2017.



**Nick Wilks** (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 February 2018

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| Fees and commissions | 2 | **1,378,554** | 1,256,556 |
| Investment income | 2,4 | **7,474** | 4,730 |
| **Total revenue** | 2 | **1,386,028** | 1,261,286 |
| | | | |
| Salaries and associated expenses | 6 | **(861,189)** | (794,363) |
| Premises | | **(70,625)** | (66,849) |
| Other operating costs | | **(213,862)** | (209,518) |
| Depreciation, amortisation and impairment charges | 3 | **(36,491)** | (34,951) |
| **Operating profit** | 1,2,3 | **203,861** | 155,605 |
| | | | |
| **Analysed as:** | | | |
| **Operating profit before exceptional items** | 1,2 | **213,743** | 193,672 |
| Acquisition and integration costs | 3 | **(2,605)** | (546) |
| Restructuring costs | 3 | **-** | (13,900) |
| Net litigation costs | 3 | **(9,067)** | (21,114) |
| Net gains/(losses) on disposals | 3 | **1,835** | (1,660) |
| Other exceptional items | 3 | **(45)** | (847) |
| **Operating profit** | 1,2,3 | **203,861** | 155,605 |
| | | | |
| Finance costs | 5 | **(27,327)** | (24,225) |
| Finance income | 5 | **2,978** | 2,147 |
| Finance costs - net | 5 | **(24,349)** | (22,078) |
| Share of results of associates | | **2,149** | 1,353 |
| **Profit before taxation** | 1,2 | **181,661** | 134,880 |
| Income tax expense | 8 | **(52,980)** | (44,018) |
| **Profit for the year** | | **128,681** | 90,862 |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the parent | 2 | **118,378** | 81,466 |
| Non-controlling interests | | **10,303** | 9,396 |
| | | **128,681** | 90,862 |
| | | | |
| **Earnings per share attributable to the owners of the parent during the year (expressed in pence per share)** | 9 | | |
| Basic earnings per share | | **56.1p** | 38.6p |
| Diluted earnings per share | | **54.7p** | 37.8p |

The notes on pages 112 to 169 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Profit for the year** | | **128,681** | 90,862 |
| | | | |
| **Other comprehensive income/(expense)** | | | |
| | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of post-employment benefit obligations | 31 | **17,985** | (71,642) |
| Taxation thereon | | **(2,599)** | 11,850 |
| **Total items that will not be reclassified to profit or loss** | | **15,386** | (59,792) |
| | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Fair value gains net of tax: | | | |
| - available-for-sale financial assets | | **86** | 42 |
| - available-for-sale financial assets reclassified to the income statement | | **-** | (181) |
| - cash flow hedges | | **63,657** | (41,487) |
| Currency translation differences | | **(36,829)** | 105,369 |
| **Total items that may be reclassified subsequently to profit or loss** | | **26,914** | 63,743 |
| | | | |
| **Other comprehensive income net of tax** | | **42,300** | 3,951 |
| **Total comprehensive income for the year** | | **170,981** | 94,813 |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent | | **162,550** | 80,889 |
| Non-controlling interests | | **8,431** | 13,924 |
| | | **170,981** | 94,813 |

The notes on pages 112 to 169 form an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

as at 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| NET ASSETS | | | |
| **Non-current assets** | | | |
| Goodwill | 11 | **577,778** | 543,013 |
| Other intangible assets | 12 | **108,954** | 101,963 |
| Property, plant and equipment | 13 | **68,645** | 64,330 |
| Investments in associates | 14 | **53,055** | 50,928 |
| Available-for-sale financial assets | 15,20 | **16,858** | 23,805 |
| Derivative financial instruments | 16,20 | **82,569** | 117,043 |
| Retirement benefit surpluses | 31 | **92** | 509 |
| Deferred tax assets | 22 | **54,266** | 70,088 |
| | | **962,217** | 971,679 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **610,506** | 588,640 |
| Derivative financial instruments | 16,20 | **5,545** | 7,930 |
| Available-for-sale financial assets | 15,20 | **115,080** | 116,933 |
| Held-for-sale financial assets | 15,20 | **189** | - |
| Cash and cash equivalents | 18,20 | **1,015,087** | 939,945 |
| | | **1,746,407** | 1,653,448 |
| **Current liabilities** | | | |
| Borrowings | 20,21 | **(19,226)** | (54,729) |
| Trade and other payables | 19 | **(1,256,074)** | (1,200,397) |
| Derivative financial instruments | 16,20 | **(10,265)** | (33,136) |
| Current tax liabilities | | **(10,290)** | (5,119) |
| Provisions for liabilities and charges | 23 | **(6,865)** | (8,826) |
| | | **(1,302,720)** | (1,302,207) |
| **Net current assets** | | **443,687** | 351,241 |
| **Non-current liabilities** | | | |
| Borrowings | 20,21 | **(690,872)** | (633,103) |
| Trade and other payables | 19 | **(49,475)** | (57,385) |
| Derivative financial instruments | 16,20 | **(85,516)** | (69,652) |
| Deferred tax liabilities | 22 | **(11,411)** | (11,378) |
| Retirement benefit obligations | 31 | **(169,376)** | (198,921) |
| Provisions for liabilities and charges | 23 | **(1,549)** | (1,571) |
| | | **(1,008,199)** | (972,010) |
| | | **397,705** | 350,910 |
| TOTAL EQUITY | | | |
| **Capital and reserves attributable to the owners of the parent** | | | |
| Ordinary shares | 24 | **11,008** | 11,008 |
| Share premium | 24,26 | **104,111** | 104,111 |
| Fair value and hedging reserves | 26 | **9,290** | (54,453) |
| Exchange reserves | 26 | **48,604** | 83,561 |
| Retained earnings | | **204,781** | 183,919 |
| **Shareholders' equity** | | **377,794** | 328,146 |
| Non-controlling interests | 25 | **19,911** | 22,764 |
| | | **397,705** | 350,910 |

The notes on pages 112 to 169 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 107 to 169 were approved by the Board on 28 February 2018 and signed on its behalf by:

**Charles Rozes**
Finance Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

| | Notes | Ordinary shares £'000 | Other reserves £'000 | Retained earnings £'000 | Shareholders' equity £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | | **11,008** | **133,219** | **183,919** | **328,146** | **22,764** | **350,910** |
| Profit for the year | | - | - | 118,378 | **118,378** | 10,303 | **128,681** |
| Other comprehensive income/(expense) for the year | | - | 28,786 | 15,386 | **44,172** | (1,872) | **42,300** |
| **Total comprehensive income for the year** | | **-** | **28,786** | **133,764** | **162,550** | **8,431** | **170,981** |
| Dividends | 10 | | | (71,593) | **(71,593)** | (12,004) | **(83,597)** |
| Amounts in respect of share based payments: | | | | | | | |
| - reversal of amortisation net of tax | | - | - | 29,784 | **29,784** | - | **29,784** |
| - shares acquired | | - | - | (16,502) | **(16,502)** | - | **(16,502)** |
| Acquisitions | 29 | - | - | - | - | 176 | **176** |
| Disposals | 30 | - | - | - | - | 544 | **544** |
| Transactions with non-controlling interests | | - | - | (54,591) | **(54,591)** | - | **(54,591)** |
| **Balance at 31 December 2017** | | **11,008** | **162,005** | **204,781** | **377,794** | **19,911** | **397,705** |

| | Notes | Ordinary shares £'000 | Other reserves £'000 | Retained earnings £'000 | Shareholders' equity £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | | 11,008 | 73,967 | 227,362 | 312,337 | 18,465 | 330,802 |
| Profit for the year | | - | - | 81,466 | 81,466 | 9,396 | 90,862 |
| Other comprehensive income/(expense) for the year | | - | 59,215 | (59,792) | (577) | 4,528 | 3,951 |
| Total comprehensive income for the year | | - | 59,215 | 21,674 | 80,889 | 13,924 | 94,813 |
| Dividends | 10 | - | - | (67,962) | (67,962) | (8,435) | (76,397) |
| Amounts in respect of share based payments: | | | | | | | |
| - reversal of amortisation net of tax | | - | - | 24,952 | 24,952 | - | 24,952 |
| - shares acquired | | - | - | (17,809) | (17,809) | - | (17,809) |
| Acquisitions | | - | - | - | - | (1,159) | (1,159) |
| Disposals | | - | - | - | - | (31) | (31) |
| Transactions with non-controlling interests | | - | - | (4,298) | (4,298) | - | (4,298) |
| Issue of share capital | 24 | - | 37 | - | 37 | - | 37 |
| Balance at 31 December 2016 | | 11,008 | 133,219 | 183,919 | 328,146 | 22,764 | 350,910 |

The notes on pages 112 to 169 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 28 | **217,357** | 166,712 |
| Interest paid | | **(16,835)** | (17,403) |
| Interest received | | **9,973** | 6,639 |
| Taxation paid | | **(48,993)** | (46,241) |
| Increase in net insurance broking payables | | **41,525** | 137,510 |
| | | **203,027** | 247,217 |
| Dividend received from associates | | **1,084** | 935 |
| **Net cash generated from operating activities** | | **204,111** | 248,152 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 13 | **(19,127)** | (9,556) |
| Purchase of other intangible assets | 12 | **(38,676)** | (30,215) |
| Proceeds from disposal of property, plant and equipment | | **1,049** | 928 |
| Acquisition of businesses, net of cash acquired | 29 | **(44,322)** | (13,381) |
| Acquisition of associates | | **(89)** | (3,013) |
| Proceeds from disposal of businesses, net of cash disposed | 30 | **1,557** | 15,141 |
| Purchase of available-for-sale financial assets | 15 | **(115,258)** | (107,636) |
| Proceeds from disposal of available-for-sale investments and deposits | 15 | **121,855** | 20 |
| Proceeds from disposal of available-for-sale other investments | | **2,244** | 303 |
| **Net cash used in investing activities** | | **(90,767)** | (147,409) |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid to owners of the parent | | **(71,161)** | (66,388) |
| Purchase of shares | | **(16,502)** | (17,809) |
| Proceeds from issuance of ordinary shares | 24 | **-** | 37 |
| Proceeds from borrowings | | **110,064** | 355 |
| Repayments of borrowings | | **(28,232)** | (5,056) |
| Dividends paid to non-controlling interests | | **(12,004)** | (8,435) |
| **Net cash used in financing activities** | | **(17,835)** | (97,296) |
| **Net increase in cash and cash equivalents** | | **95,509** | 3,447 |
| Cash and cash equivalents at beginning of year | | **939,945** | 901,087 |
| Exchange (losses)/gains on cash and cash equivalents | | **(20,367)** | 35,411 |
| **Cash and cash equivalents at end of year** | 18 | **1,015,087** | 939,945 |

The notes on pages 112 to 169 form an integral part of these consolidated financial statements.

# SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2017

## BASIS OF PREPARATION

### Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to Companies reporting under IFRSs. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

### Historical cost convention

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for the following:

- available-for-sale financial assets, certain financial assets and liabilities (including derivative financial instruments) which are measured at fair value; and
- defined benefit pension plans where plan assets are measured at fair value.

## STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2017

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017 have had a material impact on the Group.

## BASIS OF CONSOLIDATION

### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If a business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners.

The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been modified where necessary to ensure consistency with the policies adopted by the Group.

# SIGNIFICANT ACCOUNTING POLICIES CONTINUED

## SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

## FOREIGN CURRENCIES

### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Sterling, which is the Group's functional and presentational currency.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

### Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation exchange differences arising from the translation of net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are reclassified to the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## GOODWILL ARISING ON CONSOLIDATION

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the Balance Sheet. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units, or groups of cash generating units, for the purpose of impairment testing. Cash generating units represent the lowest level of geographical and business segment combinations that the Group uses for internal reporting purposes.

## OTHER INTANGIBLE ASSETS

### Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire them and bring them to use. These costs are amortised over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Capitalised development costs are amortised over their estimated useful lives from the point when the asset is ready to use.

The rates of amortisation are between 14% and 100% per annum.

### Capitalised employment contract payments

The Group makes payments to certain key employees in recognition of them signing a long-term employment contract, usually three to five years. These payments are capitalised as intangible assets since legal rights protect the expected benefits that the Group will derive from the contracts.

The asset recognised is then amortised over the duration of the underlying contract within salaries and associated expenses.

### Other

For acquisitions completed after 1st January 2004, the business acquired is reviewed to identify assets that meet the definition of an intangible asset per IAS 38. Examples of such assets include customer contracts, expectations of business renewal and contract related customer relationships. These assets are valued on the basis of the present value of future cash flows and are amortised to the income statement over the life of the contract or their estimated economic life. The current maximum estimated economic life is fifteen years.

## IMPAIRMENT OF ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## PROPERTY, PLANT AND EQUIPMENT

Assets are stated at their net book amount (historical cost less accumulated depreciation). Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

# SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Depreciation is calculated to write off the cost of such assets over their estimated useful lives.

The principal rates of depreciation are as follows:

- Freehold land and buildings - between 0% and 2% per annum.
- Leasehold improvements - between 10% and 20% per annum or over the life of the lease.
- Furniture and office equipment - between 10% and 20% per annum.
- Computer hardware - between 20% and 100% per annum.
- Motor vehicles - between 25% and 33 1/3% per annum.

The depreciation rates are reviewed on an annual basis.

## FINANCIAL ASSETS

The Group classifies its financial assets as loans and receivables and available-for-sale assets. The classification depends upon the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are carried at amortised cost.

### Available-for-sale financial assets

Available-for-sale financial assets are categorised into one of two categories:

1) Investments and deposits consist mainly of fixed term deposits, bonds and certificates of deposit. These investments are held at fair value and are classified as current or non-current assets depending on the maturity date.
2) Other investments include securities and other investments held for strategic purposes. These investments are held at fair value unless a fair value cannot be accurately determined in which case they are carried at cost less any provision for impairment.

Interest on deposits and interest-bearing investments is credited in the income statement as it is earned.

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale assets are subsequently carried at fair value.

The fair values of quoted investments are determined based upon current bid price.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of finance income when the Group's right to receive payments is established.

### Held-for-sale financial assets

Non-current assets are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its immediate condition. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are recognised at the lower of their carrying amount and fair value less costs to sell. Assets classified as held-for-sale are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in the income statement.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## INSURANCE BROKING RECEIVABLES AND PAYABLES

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Group. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection.

These advances are reflected in the consolidated balance sheet as part of trade receivables.

## TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Whilst held in the Group's non-statutory trust accounts under appropriate client money regulation, fiduciary funds held are controlled by the Group and economic benefits are derived from them. As such these funds are recognised as an asset on the Group's balance sheet.

## TRADE PAYABLES

Trade payables are initially recognised at fair value and subsequently measured at amortised cost except for contingent considerations, which is always measured at fair value based on the underlying criteria of each transaction.

# SIGNIFICANT ACCOUNTING POLICIES CONTINUED

## BORROWINGS

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method.

## DEFERRED INCOME TAX

The charge for taxation is based on the result for the year at current rates of tax and takes into account deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is charged or credited to equity in respect of any items, which is itself either charged or credited directly to equity.

Any subsequent recognition of the deferred gain or loss in the consolidated income statement is accompanied by the corresponding deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## EMPLOYEE BENEFITS

### Pension obligations

The Group operates a number of defined benefit pension schemes, and a number of employees are members of defined contribution pension schemes.

Full actuarial valuations of the Group's defined benefit schemes are carried out at least every three years.

A qualified actuary updates these valuations to 31 December each year. For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit credit method; these liabilities are discounted at the current rate of return of a high quality corporate bond of equivalent currency and term. The defined benefit surplus or deficit is calculated as the present value of defined benefit obligations less the fair value of the plan assets and is included on the Group's balance sheet. Surpluses are included only to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The net interest on the defined benefit surplus/deficit is included within finance costs. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised through the consolidated statement of comprehensive income.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

### Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (at nominal value) and share premium (excess over nominal value) when the options are exercised.

## PROVISIONS FOR LIABILITIES AND CHARGES

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. Where appropriate the Group discounts provisions to their present value. The unwinding of the provision discounting is included as an interest expense within finance costs in the income statement.

## REVENUE

### Fees and commissions

Fees and commissions are derived from three principal sources:

*Insurance broking*

Income relating to insurance broking is accounted for at the later of policy inception date or when the policy placement has been completed and confirmed.

Where there is an expectation of future servicing requirements an element of income relating to the policy is deferred to cover the associated contractual obligation.

*Employee benefits*

Income relating to employee benefits services includes fees and commissions. Fees are charged on a time-cost or fixed-fee basis and are recognised in line with the performance of the underlying service. Commission is recognised upon confirmation of the underlying policy or product.

*Other services*

Fees and other income receivable are recognised in the period to which they relate and when they can be measured with reasonable certainty.

### Investment income

Investment income arises from the holding of cash and investments relating to fiduciary funds and is recognised on an accruals basis.

## EXCEPTIONAL ITEMS

Exceptional items are separately identified to provide greater understanding of the Group's underlying performance. Items classified as exceptional items may include, but are not limited to: gains or losses arising from the sale of businesses and investments; closure costs for businesses; restructuring costs; professional fees in respect of acquisitions; post acquisition integration costs; post acquisition adjustments to balance sheet items; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into the underlying business performance. Items of a non-recurring

# SIGNIFICANT ACCOUNTING POLICIES CONTINUED

and material nature are charged or credited to operating profit and are classified to the appropriate income statement headings.

To assist in the analysis and understanding of the underlying trading position of the Group these items are summarised within the operating profit, note 3 on page 122, under the heading "Exceptional items".

## LEASES

Assets held under leasing agreements, which transfer substantially all the risks and rewards of ownership to the Group, are included in property, plant and equipment. The capital elements of the related lease obligations are included in liabilities. The interest elements of the lease obligations are charged to the income statement over the period of the lease term.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

## DERIVATIVE FINANCIAL INSTRUMENTS

The Group only enters into derivative financial instruments in order to hedge underlying financial and commercial exposures.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged.

The Group designates derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge), a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity (net investment hedges).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the consolidated income statement and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in the hedging reserves and is reclassified to the income statement when a hedge no longer meets the criteria for hedge accounting or when the committed or forecasted transaction ultimately occurs. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

## DIVIDEND DISTRIBUTION

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. Final dividends are recognised as a charge to equity once approved and interim dividends are charged once paid.

## FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group's exposure to financial risks and its financial and capital management policies are detailed in the Finance Director's Review and the Risk Management Report on pages 38 to 45.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

*a) Fair value estimation*

The fair value of financial instruments traded in active markets (such as available-for-sale) is based upon quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of acquired intangible assets is estimated based upon the present value of modelled related expected future cash flows.

Judgement may be applied in the determination of the growth rates, discount rates and the expected cash flows.

*b) Impairment of assets*

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flow.

*c) Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*d) Pension obligations*

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumption used in determining the net cost or income for pension obligations is a discount rate based upon high quality corporate bonds.

# SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Any changes in the assumptions may impact the carrying amount of pension obligations, the charge in the income statement, or statement of comprehensive income.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. As well as the discount rate, the inflation rates and life expectancy are also key assumptions.

To set the price inflation assumptions the Group considers market expectations of inflation at the appropriate durations. Adjustments are made to these rates where necessary to reflect an inflation risk premium.

In determining the life expectancy assumptions the Group considers the mortality assumptions used by the Trustees of the pension schemes in their latest actuarial valuations and also mortality guidance laid out by legislation. This enables the Group to determine a best estimate of life expectancy that is appropriate for accounting purposes.

*e) Litigation and other provisions*

During the ordinary course of business the Group can be subject to claims for errors and omissions made in connection with its broking activities.

A balance sheet provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated.

The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

The outcome of the currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and are in excess of the presently established provisions. It is possible therefore that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation.

## FUTURE DEVELOPMENTS

The following standards have been published but are not mandatory for 31 December 2017 reporting period and the Group has not adopted them early.

*IFRS 9, ('Financial instruments')*

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after 1 January 2018. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. The Group does not expect any material change in the measurement of its financial assets and liabilities.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. Under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model will mainly affect the Group's trade receivables and contract assets. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables and contract assets. The impact on 2017 opening retained earnings and on the 2017 results is not expected to be material.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss unless such presentation would create or enlarge an accounting mismatch in profit or loss.

On initial application of IFRS 9, an entity may elect, as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of the new standard. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The changes to the hedge accounting requirements are not expected to have a material impact on the Group.

*IFRS 15, ('Revenue from contracts with customers')*

IFRS 15 addresses revenue recognition for customer contracts, with particular focus on aligning revenue recognition with the separate and distinct performance obligations to the customer. The standard replaces IAS 18 ('Revenue') and IAS 11 ('Construction Contracts') and related interpretations. IFRS 15 includes prescriptive guidance to deal with specific scenarios and requires more extensive disclosures.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group will report its financial results on this basis for the half year period ending 30 June 2018, and full year period ending 31 December 2018, as well as restated comparative results for these periods.

The new standard requires that revenue is only recognised when the performance obligation has been satisfied and the customer obtains control of the asset. Under existing accounting policies, the primary trigger for revenue recognition in the Group's Risk and Insurance business is the later of policy inception date, or the date on which the placement is completed and confirmed to the customer. This remains the same under the new standard. In certain service agreements this will defer the recognition of revenue compared to the Group's current policy, but the Group will recognise a fulfilment cost asset for work performed where such cost is expected to be recovered.

The Group defers some elements of revenue currently, primarily to reflect anticipated claims handling activity. This will continue under the new standard, but will be re-measured. In addition, the Group will now recognise a deferral against cancellation, which under the Group's current policy is recognised at the point of cancellation. The Group will also defer revenue in respect of other performance obligations that are separate and distinct, which is not expected to be significant.

The new standard introduces the recognition of those costs that are directly attributable to obtaining the contract, where these are expected to be recovered. This is a new requirement for the Group and will create the recognition of a new set of assets, which will then be amortised to match the recognition of revenue. Under the Group's current policy these costs have been expensed as incurred.

The Balance Sheet will introduce new classifications being contract assets and liabilities.

Work continues on the refinement of the Group's policy, but it is expected that the change will result in a reduction of the Group's 2017 opening retained earnings in the range of £33 to £37 million, a reduction in the 2017 profit before tax of approximately £4.5 million and a reduction in profit after tax of approximately £3.5 million. Cash flows will be unaltered.

*IFRS 16 – Leases*

IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. This differs from IAS 17 'Leases' where a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet) was required.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group is in the process of assessing IFRS 16's full impact.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

## 1. ALTERNATIVE INCOME STATEMENT

The format of the consolidated income statement on page 107 conforms to the requirements of IFRS. The alternative income statement set out below, which is provided by way of additional information, has been prepared on a basis that conforms more closely to the approach adopted by the Group in assessing its performance. The statement provides a reconciliation between the underlying results used by the Group to assess performance and the IFRS income statement.

| | **Year ended 31 December 2017** | | |
|---|---|---|---|
| | **Underlying profit £'000** | **Exceptional items £'000** | **Total £'000** |
| Fees and commissions | **1,378,554** | - | **1,378,554** |
| Investment income | **7,474** | - | **7,474** |
| Salaries and associated expenses | **(860,054)** | (1,135) | **(861,189)** |
| Premises | **(70,590)** | (35) | **(70,625)** |
| Other operating costs | **(208,587)** | (5,275) | **(213,862)** |
| Depreciation, amortisation and impairment charges | **(33,054)** | (3,437) | **(36,491)** |
| **Trading profit** | **213,743** | (9,882) | **203,861** |
| Finance costs - net | **(24,349)** | - | **(24,349)** |
| Share of results of associates | **2,149** | - | **2,149** |
| **Profit before taxation** | **191,543** | (9,882) | **181,661** |

| | Year ended 31 December 2016 | | |
|---|---|---|---|
| | Underlying profit £'000 | Exceptional items £'000 | Total £'000 |
| Fees and commissions | 1,256,556 | - | 1,256,556 |
| Investment income | 4,730 | - | 4,730 |
| Salaries and associated expenses | (784,664) | (9,699) | (794,363) |
| Premises | (64,307) | (2,542) | (66,849) |
| Other operating costs | (184,173) | (25,345) | (209,518) |
| Depreciation, amortisation and impairment charges | (34,470) | (481) | (34,951) |
| Trading profit | 193,672 | (38,067) | 155,605 |
| Finance costs - net | (22,078) | - | (22,078) |
| Share of results of associates | 975 | 378 | 1,353 |
| Profit before taxation | 172,569 | (37,689) | 134,880 |

# 2. SEGMENT INFORMATION

Management has determined its operating segments based on the analysis used to make strategic decisions.

## BUSINESS SEGMENT ANALYSIS

The Group is organised on a worldwide basis into three main segments: Risk & Insurance, Employee Benefits and Head Office & Other operations. These segments are consistent with the internal reporting structure of the Group.

The Risk & Insurance segment comprises JLT's global specialist and reinsurance broking activities.

The Employee Benefits segment consists of pension administration, outsourcing and employee benefits consultancy, healthcare and wealth management activities. Certain Risk & Insurance and Employee Benefits operating segments have been disclosed within the reporting segments given their individual size. The Head Office & Other segment consists mainly of holding companies, central administration functions, the Group's captive insurance companies and the Group's investments in associates.

Following the disposal of Thistle in 2016, the majority of what was classified as JLT Insurance Services, plus Northern Europe which was previously in JLT Europe, Middle East and Africa, both included in Other Risk & Insurance in the 2016 financial year, now together with JLT Specialty, form the business group JLT Europe. Prior period numbers have been restated to reflect this change.

JLT Re principal locations include North America, the United Kingdom and Asia.

## SEGMENT RESULTS

Management assesses the performance of the operating segments based upon a measure of underlying trading profit. Segment results include the net income or expense derived from the trading activities of the segment together with the investment income earned on fiduciary funds. Interest income on the Group's own funds and finance costs are excluded since the trading activities of the Group's primary segments are not of a financial nature. Income tax expense and the charge in respect of non-controlling interests are excluded from the segmental allocation.

## SEGMENT ASSETS AND LIABILITIES

Assets and liabilities are not allocated to individual segments and are therefore all reported within Head Office & Other.

## INVESTMENTS IN ASSOCIATES

The Group owns the following stakes in its principal associates: 20% of GrECo, which operates mainly in Austria and Eastern Europe; 25% of MAG JLT, which operates mainly in Italy and 25% of March-JLT, which operates mainly in Spain. The investment and the Group's share of the net results of these associates are included in the Head Office & Other segment, together with the investment and results of the Group's other associates, Sterling Re Intermediaro de Reaseguro SA de CV, JLT Insurance Management Malta, JLT Energy (France) SAS and JLT Independent Insurance Brokers Private Ltd.

Subject to local regulations, the Group agreed to the disposal of its Mexican associate, Sterling Re Intermediaro de Reaseguro SA de CV, in December 2017. Details of the transactions are provided on page 134.

## OTHER SEGMENT ITEMS

Capital expenditure comprises additions to property, plant and equipment and other intangible assets.

# 2. SEGMENT INFORMATION CONTINUED

| | Risk & Insurance | | | | | Employee Benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year ended 31 December 2017 | JLT Europe £'000 | JLT Re £'000 | JLT Australia & New Zealand £'000 | JLT USA £'000 | Other Risk & Insurance £'000 | UK & Ireland £'000 | Asia £'000 | Other Employee Benefits £'000 | Head Office & Other £'000 | Total £'000 |
| Fees and commissions | 395,766 | 215,579 | 123,986 | 73,866 | 249,190 | 171,983 | 89,668 | 58,516 | - | **1,378,554** |
| Investment income | 3,529 | 1,489 | 1,712 | 11 | 651 | 1 | 17 | 64 | - | **7,474** |
| **Total revenue** | **399,295** | **217,068** | **125,698** | **73,877** | **249,841** | **171,984** | **89,685** | **58,580** | **-** | **1,386,028** |
| **Underlying trading profit/(loss)** | **90,615** | **42,436** | **35,465** | **(16,361)** | **45,727** | **17,216** | **25,084** | **7,722** | **(34,161)** | **213,743** |
| Operating profit/(loss) | 84,625 | 42,058 | 36,085 | (25,999) | 48,939 | 20,391 | 24,360 | 7,333 | (33,931) | **203,861** |
| Finance costs - net | - | - | - | - | - | - | - | - | (24,349) | **(24,349)** |
| Share of results of associates | - | - | - | - | - | - | - | - | 2,149 | **2,149** |
| **Profit/(loss) before taxation** | **84,625** | **42,058** | **36,085** | **(25,999)** | **48,939** | **20,391** | **24,360** | **7,333** | **(56,131)** | **181,661** |
| Income tax expense | - | - | - | - | - | - | - | - | (52,980) | **(52,980)** |
| Non-controlling interests | - | - | - | - | - | - | - | - | (10,303) | **(10,303)** |
| **Net profit/(loss) attributable to the owners of the parent** | **84,625** | **42,058** | **36,085** | **(25,999)** | **48,939** | **20,391** | **24,360** | **7,333** | **(119,414)** | **118,378** |
| **Segment assets** | | | | | | | | | 2,655,569 | 2,655,569 |
| **Investments in associates** | | | | | | | | | 53,055 | **53,055** |
| **Total assets** | | | | | | | | | **2,708,624** | **2,708,624** |
| Segment liabilities | | | | | | | | | (2,310,919) | **(2,310,919)** |
| **Total liabilities** | | | | | | | | | **(2,310,919)** | **(2,310,919)** |
| **Other segment items:** | | | | | | | | | | |
| Capital expenditure | 5,449 | 4,196 | 2,487 | 3,344 | 6,036 | 17,278 | 2,668 | 181 | 16,164 | **57,803** |
| Depreciation, amortisation and impairment charges (including amounts in salaries and associated expenses) | (10,466) | (4,302) | (2,107) | (4,637) | (5,906) | (7,843) | (1,835) | (1,561) | (13,463) | **(52,120)** |

| | Risk & Insurance | | | | | Employee Benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year ended 31 December 2016 | JLT Europe £'000 | JLT Re £'000 | JLT Australia & New Zealand £'000 | JLT USA £'000 | Other Risk & Insurance £'000 | UK & Ireland £'000 | Asia £'000 | Other Employee Benefits £'000 | Head Office & Other £'000 | Total £'000 |
| Fees and commissions | 391,918 | 195,065 | 115,950 | 41,313 | 211,993 | 160,016 | 87,260 | 53,041 | - | 1,256,556 |
| Investment income | 1,861 | 541 | 1,702 | - | 552 | 2 | 17 | 55 | - | 4,730 |
| Total revenue | 393,779 | 195,606 | 117,652 | 41,313 | 212,545 | 160,018 | 87,277 | 53,096 | - | 1,261,286 |
| Underlying trading profit/(loss) | 79,743 | 40,521 | 34,137 | (26,981) | 39,158 | 12,315 | 27,130 | 10,029 | (22,380) | 193,672 |
| Operating profit/(loss) | 60,945 | 40,589 | 34,135 | (26,981) | 41,373 | (2,390) | 23,290 | 9,851 | (25,207) | 155,605 |
| Finance costs - net | - | - | - | - | - | - | - | - | (22,078) | (22,078) |
| Share of results of associates | - | - | - | - | - | - | - | - | 1,353 | 1,353 |
| Profit/(loss) before taxation | 60,945 | 40,589 | 34,135 | (26,981) | 41,373 | (2,390) | 23,290 | 9,851 | (45,932) | 134,880 |
| Income tax expense | - | - | - | - | - | - | - | - | (44,018) | (44,018) |
| Non-controlling interests | - | - | - | - | - | - | - | - | (9,396) | (9,396) |
| Net profit/(loss) attributable to the owners of the parent | 60,945 | 40,589 | 34,135 | (26,981) | 41,373 | (2,390) | 23,290 | 9,851 | (99,346) | 81,466 |
| Segment assets | | | | | | | | | 2,574,199 | 2,574,199 |
| Investments in associates | | | | | | | | | 50,928 | 50,928 |
| Total assets | | | | | | | | | 2,625,127 | 2,625,127 |
| Segment liabilities | | | | | | | | | (2,274,217) | (2,274,217) |
| Total liabilities | | | | | | | | | (2,274,217) | (2,274,217) |
| Other segment items: | | | | | | | | | | |
| Capital expenditure | 3,693 | 7,406 | 2,821 | 3,204 | 5,464 | 11,338 | 314 | 391 | 5,140 | 39,771 |
| Depreciation, amortisation and impairment charges (including amounts in salaries and associated expenses) | (11,169) | (3,141) | (2,274) | (3,434) | (5,621) | (7,583) | (1,262) | (1,109) | (14,310) | (49,903) |

# 2. SEGMENT INFORMATION CONTINUED

## GEOGRAPHICAL SEGMENT ANALYSIS

Although the Group's two business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world.

The United Kingdom is the home country of the parent company Jardine Lloyd Thompson Group plc.

The Risk & Insurance segment operates in the United Kingdom, the Group's home country. In the Americas, the Risk & Insurance segment operates in Argentina, Bermuda, the Caribbean, Brazil, Canada, Colombia, Peru, Chile, and the United States. The Australian segment includes operations in Australia and New Zealand. In Europe, it operates in the Republic of Ireland, Sweden, Finland, Norway, Denmark, Germany, Guernsey, Belgium, France, The Netherlands, Spain, Switzerland and Russia. The Asian segment includes operations in Singapore, Hong Kong, Taiwan, Indonesia, Japan, Thailand, South Korea, Philippines, Malaysia, China, Vietnam, Dubai, Qatar, Bahrain and Turkey. In Rest of the World, it operates in South Africa.

The Employee Benefits segment operates in the United Kingdom. In the Americas, the Employee Benefits segment operates in Brazil, Canada, Colombia and Peru. The Australian segment includes operations in Australia and New Zealand. In Europe, it operates in the Republic of Ireland and Switzerland. The Asian segment includes operations in Singapore, Hong Kong, Taiwan, Indonesia, Japan, Thailand, South Korea, Philippines, Malaysia, China and Vietnam. In Rest of the World, it operates in South Africa.

The Head Office & Other activities segment is mainly based in the United Kingdom with minor operations in the Americas, Europe and Asia. The Group's captive operations are included in the United Kingdom segment.

Fees and commissions are disclosed by (1) the country in which the office is located and (2) the country in which the customer is located.

Segment non-current assets, segment assets and segment liabilities are disclosed based on the country in which they are located or occur. Interest bearing assets (eg cash & cash equivalents and investments & deposits) relating to the Group's own funds, held-for-sale financial assets and deferred tax assets are excluded from segment assets. Interest bearing liabilities (eg borrowings) and current and deferred tax liabilities are excluded from segment liabilities. Items excluded from segmental allocation are referred to as "unallocated".

| **Year ended 31 December 2017** | **Fees and commissions (1) £'000** | **Fees and commissions (2) £'000** | **Segment non-current assets £'000** | **Segment assets £'000** | **Segment liabilities £'000** |
|---|---|---|---|---|---|
| UK | 608,958 | 358,430 | 368,698 | 1,360,077 | (974,822) |
| Americas | 337,336 | 463,558 | 237,430 | 513,779 | (288,038) |
| Australia | 157,297 | 172,930 | 48,552 | 141,071 | (93,302) |
| Asia | 218,740 | 221,575 | 44,289 | 228,317 | (165,319) |
| Europe | 47,878 | 117,887 | 49,169 | 132,277 | (45,906) |
| Rest of the World | 8,345 | 44,174 | 7,239 | 9,382 | (2,741) |
| | **1,378,554** | **1,378,554** | **755,377** | **2,384,903** | **(1,570,128)** |
| Investments in associates | | | | 53,055 | - |
| Unallocated assets/(liabilities) | | | | 270,666 | (740,791) |
| **Total assets/(liabilities)** | | | | **2,708,624** | **(2,310,919)** |

| Year ended 31 December 2016 | Fees and commissions (1) £'000 | Fees and commissions (2) £'000 | Segment non-current assets £'000 | Segment assets £'000 | Segment liabilities £'000 |
|---|---|---|---|---|---|
| UK | 600,837 | 360,840 | 356,861 | 1,427,263 | (1,045,964) |
| Americas | 259,226 | 375,886 | 223,614 | 462,989 | (233,192) |
| Australia | 146,958 | 158,821 | 49,651 | 141,369 | (88,657) |
| Asia | 204,504 | 199,823 | 46,660 | 218,807 | (152,245) |
| Europe | 37,717 | 107,668 | 24,711 | 38,386 | (37,531) |
| Rest of the World | 7,314 | 53,518 | 7,809 | 9,699 | (3,641) |
| | 1,256,556 | 1,256,556 | 709,306 | 2,298,513 | (1,561,230) |
| Investments in associates | | | | 50,928 | - |
| Unallocated assets/(liabilities) | | | | 275,686 | (712,987) |
| Total assets/(liabilities) | | | | 2,625,127 | (2,274,217) |

# 3. OPERATING PROFIT

The following items have been charged/(credited) in arriving at operating profit:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Foreign exchange losses/(gains):** | | |
| - fees and commissions | 25,899 | 22,056 |
| - other operating costs | 185 | (10,838) |
| | **26,084** | 11,218 |
| Amortisation of other intangible assets: | | |
| - software costs | 17,360 | 19,813 |
| - other intangible assets | 2,966 | 2,131 |
| Impairment of goodwill (included in exceptional items below) | 1,099 | 481 |
| Depreciation on property, plant and equipment: | | |
| - owned assets | 12,370 | 12,291 |
| - leased assets under finance leases | 358 | 235 |
| Impairment of available-for-sale other investments (included in exceptional items below) | 1,801 | - |
| Impairment of associates (included in exceptional items below) | 537 | - |
| **Total depreciation, amortisation and impairment charges** | **36,491** | 34,951 |
| Amortisation of capitalised employment contract payments (included in salaries and associated expenses) | 15,629 | 14,952 |
| Losses/(gains) on disposal of property, plant and equipment | 90 | (10) |
| **Operating lease rentals payable:** | | |
| - minimum lease payments: | | |
| - land and buildings | 46,816 | 41,233 |
| - furniture, equipment and motor vehicles | 1,443 | 792 |
| - computer equipment and software | 486 | 543 |
| - sub-leases receipts: | | |
| - land and buildings | (443) | (426) |
| | **48,302** | 42,142 |
| Fair value gains on derivative financial instruments | (401) | (87) |
| (Gains)/losses on disposal of available-for-sale other investments | (2,101) | 8 |
| **Exceptional items:** | | |
| Acquisition and integration costs of which: | | |
| - included in salaries and associated expenses | 751 | 228 |
| - included in premises | 7 | 70 |
| - included in other operating costs | 1,847 | 248 |
| | 2,605 | 546 |
| Restructuring costs of which: | | |
| - included in salaries and associated expenses | - | 9,355 |
| - included in premises | - | 1,689 |
| - included in other operating costs | - | 2,856 |
| | - | 13,900 |
| Net (gains)/losses on disposal of businesses of which: | | |
| - included in salaries and associated expenses | 384 | 116 |
| - included in premises | 28 | 783 |
| - included in other operating costs | (719) | 391 |
| - included in depreciation, amortisation and impairment charges | - | 370 |
| | (307) | 1,660 |
| Net (gains)/losses on disposal of investment and associates of which: | | |
| - included in other operating costs | (2,065) | - |
| - included in depreciation, amortisation and impairment charges | 537 | - |
| | (1,528) | - |
| Revision in considerations recognised in prior years: | | |
| - included in other operating costs | (419) | - |
| - included in depreciation, amortisation and impairment charges | 1,801 | - |
| | 1,382 | - |
| Impairment of goodwill (included in depreciation, amortisation and impairment charges) | 1,099 | 111 |
| **Included in other operating costs:** | | |
| Net litigation costs | 9,067 | 21,114 |
| Costs associated with regulatory reviews | 1,659 | 488 |
| Net gains on release of deferred and contingent considerations | (2,958) | (324) |
| Fair value (gains)/losses on put options | (1,137) | 699 |
| Pension curtailment gain | - | (127) |
| **Total exceptional items included within operating profit** | **9,882** | 38,067 |
| Profit on sale of associates' subsidiary - included in share of results of associates | - | (378) |
| **Total exceptional items** | **9,882** | 37,689 |

We identified that the foreign exchange gain on fees and commissions of £5,841,000 disclosed in 2016 should have been a loss of £22,056,000. This does not result in a change to the consolidated income statement.

# 4. INVESTMENT INCOME

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Interest receivable - fiduciary funds | **7,474** | 4,730 |
| Prior year investment income | **4,730** | 3,689 |
| Effect of: | | |
| - average cash balance variance | 100 | (190) |
| - interest yield variance | 2,268 | 799 |
| - foreign exchange variance | 376 | 432 |
| | **7,474** | 4,730 |

The Group's investment income arises from its holdings of cash and investments relating to fiduciary funds. Equivalent average cash and investment balances during the year amounted to £801 million (2016: £797 million) denominated principally in US dollars (57%), Sterling (13%) and Australian dollars (12%). The average return for 2017 was 0.93% (2016: 0.60%). Based upon average invested balances each 1% movement in the average achieved rate of return would impact anticipated interest income by approximately £8 million.

# 5. FINANCE INCOME AND COSTS

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Interest receivable - own funds | 2,607 | 1,938 |
| Investment income from available-for-sale other investments | 371 | 209 |
| Interest expense: | | |
| - bank and other borrowings | (16,667) | (17,434) |
| - finance leases | (71) | (57) |
| - interest in respect of liability discounting | (5,141) | (1,862) |
| Pension financing: | | |
| - expected return on retirement benefits scheme assets | 15,020 | 19,065 |
| - interest on retirement benefits scheme liabilities | (20,468) | (23,937) |
| Net pension financing expense | (5,448) | (4,872) |
| **Finance costs - net** | **(24,349)** | (22,078) |
| Finance costs | (27,327) | (24,225) |
| Finance income | 2,978 | 2,147 |
| **Finance costs - net** | **(24,349)** | (22,078) |

## INTEREST RATE RISK

The Group has both interest bearing assets, explained in note 4, and interest bearing liabilities that give rise to net exposures to changes in interest rates, primarily in US dollars and Sterling. Where appropriate, the Group uses interest rate swaps to hedge or match these interest rate exposures. The Group's policy is to continue to manage net interest rate exposures arising from the Group's cash (including fiduciary funds) and borrowings. Each 1% movement in the average achieved interest rate impacts interest expense by approximately £5.9 million based on average net borrowings in 2017.

# 6. EMPLOYEE INFORMATION

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **a) Salaries and associated expenses** | | |
| Wages and salaries | 671,356 | 619,422 |
| Social security costs | 58,589 | 51,881 |
| Pension costs | 43,541 | 41,385 |
| Equity settled share-based payments - incentive schemes (LTIP, SESS, ESOS) | 26,804 | 25,174 |
| Other staff costs | 60,899 | 56,501 |
| | **861,189** | 794,363 |

| | 2017 | 2016 |
|---|---|---|
| **b) Analysis of employees** | | |
| Monthly average number of persons employed by the Group during the year | | |
| Geographical segment: | | |
| - UK | 3,618 | 3,878 |
| - Americas | 2,001 | 1,813 |
| - Australasia | 1,115 | 1,130 |
| - Asia | 3,413 | 3,292 |
| - Europe | 291 | 253 |
| - Rest of the world | 137 | 133 |
| | **10,575** | 10,499 |
| Business segment: | | |
| - Risk & Insurance | 6,254 | 6,174 |
| - Employee Benefits | 3,428 | 3,475 |
| - Head Office & Other | 893 | 850 |
| | **10,575** | 10,499 |

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **c) Key management compensation** | | |
| Salaries and short-term employee benefits | 17,280 | 13,792 |
| Post employment benefits | 414 | 406 |
| Other long-term benefits | 448 | 333 |
| Share-based payments | 2,702 | 2,812 |
| | **20,844** | 17,343 |

The remuneration of the Directors is disclosed on pages 78 to 90.

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including any director of the Group. This represents the Group Board of Directors and the Group Executive Committee only.

The Group's equity-settled share-based payments comprise the JLT Long Term Incentive Plan (2004/2013), Senior Executive Share Scheme and the Executive Share Option Scheme.

## JLT LONG TERM INCENTIVE PLAN (2013)

The Group operates the Long Term Incentive Plan (LTIP) for Executive Directors and persons discharging managerial responsibility (PDMRs). The scheme was renewed in 2013. Awards under the scheme are granted in the form of nil-priced options and are satisfied using market-purchased shares. The awards vest in full or in part depending on satisfaction of the performance conditions which are set out on page 84 of the Director's Remuneration Report. The awards have a 3 year performance period and have a 10 year life from the date of grant. Options attract discretionary dividend equivalents (DDEs) that are rolled up and paid, in cash, on vesting. DDEs are paid to option holders only on the options that have vested. Forfeited or lapsed options are not eligible to DDEs and the DDEs that have accrued on the balance sheet are released to equity at the date of forfeiture.

# 6. EMPLOYEE INFORMATION CONTINUED

## SENIOR EXECUTIVE SHARE SCHEME

The Group operates a Senior Executive Share Scheme for senior management and employees. Awards under the scheme are granted in the form of nil-priced options and are satisfied using market-purchased shares. The majority of awards have no specific performance criteria attached, other than the requirement that employees remain in employment with the Group. Certain awards have been granted with specific performance targets defined for the individual executives. In general these require targets for revenue and profit growth to be met over the vesting period. The awards have a 10 year life from the date of grant. Options granted prior to 1 January 2014 attract unconditional DDEs throughout the vesting period, this means that DDEs are paid to the option holders as and when dividends are paid to ordinary shareholders, there is no clawback on the dividends in the event of a forfeiture of the options. The options granted post 1 January 2014 attract DDEs that are rolled up and paid in cash, on vesting. The Group amended the plan rules on the 8 June 2016. From that date, all vested options are no longer eligible to DDEs.

## EXECUTIVE SHARE OPTION SCHEME

Options were granted at a fixed price (usually market price) and are exercisable after the vesting period (usually 3 years). Options are satisfied by the issue of new shares or market-purchased shares. Some options carry performance conditions where they are only exercisable when earnings per share is in excess of RPI for the three consecutive financial accounting periods preceding the date of exercise. The awards have a 10 year life from the date of grant. This scheme is now closed for new grants and options were last granted under this scheme on 29 September 2006.

## FAIR VALUE OF AWARDS

Under IFRS 2 the fair value of awards granted during the year, calculated using a Black-Scholes model, is set out below:

| | | | | Black-Scholes model assumptions | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Exercise price pence | Performance period | Share price on grant date pence | Volatility % | Dividend yield % | Maturity years | Risk free Interest rate % | Fair value of one award pence |
| **JLT Long Term Incentive Plan (2013)/ Senior Executive Share Scheme** | | | | | | | | | |
| 2017 | 05 April | - | 2017-20 | 1,133.00 | 22.02 | - | 2 - 3 | 0.23 | 1,133.00 |
| 2017 | 12 April | - | 2017-20 | 1,128.00 | 22.04 | - | 1 - 3 | 0.18 | 1,128.00 |
| 2017 | 29 September | - | 2017-21 | 1,224.00 | 20.53 | - | 1 - 4 | 0.59 | 1,224.00 |

The option holders who have awards under the JLT Long Term Incentive Plan (2004/2013) and the Senior Executive Share Scheme also receive payments equating to the dividends payable on their shares (subject to meeting the performance criteria). Assuming that the dividend yield is zero and that the options are issued with no cost to the employees, then the fair value will equal the share price at date of grant.

The volatility has been calculated based on the historical share price of the Company, using a 3 year term.

All options granted under the share option schemes are conditional upon the employees remaining in the Group's employment during the vesting period of the option, the actual period varies according to the scheme in which the employee participates. In calculating the cost of options granted, a factor is included to take account of anticipated lapse rates. For Executive Share Option this is 20%. For the JLT Long Term Incentive Plan (2004/2013) and the Senior Executive Share Scheme it is nil as both are issued with no cost to the employee.

# 6. EMPLOYEE INFORMATION CONTINUED

| | Movement in number of options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Options outstanding at 1 Jan 17 number** | **Granted number** | **Lapsed number** | **Exercised number** | **Options outstanding at 31 Dec 17 number** | **Weighted average exercise (sale) price (p)** | **Options exercisable at 31 Dec 17 number** | **Remaining contractual life (years)** |
| JLT Long Term Incentive Plan (2013) | **1,986,535** | 766,800 | (314,462) | (194,921) | **2,243,952** | 1,125.41 | - | 8.31 |
| Senior Executive Share Scheme | **7,926,992** | 2,218,630 | (140,938) | (2,414,935) | **7,589,749** | 1,134.97 | 504,046 | 7.91 |
| **Total** | **9,913,527** | **2,985,430** | **(455,400)** | **(2,609,856)** | **9,833,701** | **1,134.25** | **504,046** | **8.00** |

| | Movement in number of options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Options outstanding at 1 Jan 16 number | Granted number | Lapsed number | Exercised number | Options outstanding at 31 Dec 16 number | Weighted average exercise (sale) price (p) | Options exercisable at 31 Dec 16 number | Remaining contractual life (years) |
| JLT Long Term Incentive Plan (2004/2013) | 1,927,782 | 925,700 | (492,737) | (374,210) | 1,986,535 | 873.22 | - | 8.42 |
| Senior Executive Share Scheme | 7,167,782 | 2,527,139 | (128,558) | (1,639,371) | 7,926,992 | 882.69 | 681,113 | 7.96 |
| Executive Share Option Scheme | 64,800 | - | (18,800) | (46,000) | - | 963.70 | - | - |
| Total | 9,160,364 | 3,452,839 | (640,095) | (2,059,581) | 9,913,527 | 882.78 | 681,113 | 8.05 |

# 7. SERVICES PROVIDED BY THE COMPANY'S AUDITOR AND ITS ASSOCIATES

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor and its associates:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Fees payable to the Group's auditor for the audit of the parent Company and consolidated financial statements | 211 | 200 |
| Fees payable to the Group's auditor and its associates for other services: | | |
| - the audit of the Company's subsidiaries | 3,176 | 2,449 |
| - audit related assurance services | 274 | 254 |
| - tax compliance services | 160 | 130 |
| - tax advisory services | 91 | 46 |
| - other assurance services | - | 190 |
| - other non-audit services | 435 | 135 |
| | **4,347** | 3,404 |

In addition to the above, fees payable to the Company's auditor and its associates for audit services supplied to the Company's associated pension schemes amounted to nil (2016: £18,700).

The Audit & Risk Committee has a policy on the use of the external auditors for non-audit services to ensure that the auditor's independence is maintained and that appropriate approvals are sought for non-audit services depending upon their nature and value. Each year a limit is set on the total fees that can be paid to the external auditor in relation to non-audit services. As in prior years, the limit set by the Audit & Risk Committee of £1 million remained applicable in the year.

The audit fees increased as a result of the imminent implementation of IFRS 9 & 15, as referred to in the Significant Accounting Policies and certain component auditor scope changes.

# 8. INCOME TAX EXPENSE

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 57,609 | 51,499 |
| Adjustments in respect of prior years | (2,568) | (7,129) |
| | **55,041** | 44,370 |
| **Deferred tax (credit)/expense** | | |
| Origination and reversal of temporary differences | (3,569) | (4,912) |
| Reduction in tax rate | 174 | 240 |
| Adjustments in respect of prior years | 1,334 | 4,320 |
| | **(2,061)** | (352) |
| **Total income tax expense** | **52,980** | 44,018 |

The total income tax expense in the income statement of £52,980,000 (2016: £44,018,000) includes a tax credit on exceptional items of £422,000 (2016: £8,245,000). There were no non-recurring tax credits in the year.

The headline rate of UK corporation tax is currently 19%, this will reduce to 17% from 1 April 2020. As at 31 December 2017, the rate reduction to 17% from April 2020 has been enacted. The impact of the rate reduction to 17% has been incorporated into the income tax charge for the year ended 31 December 2017, taking into consideration when temporary differences are expected to reverse.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Profit before taxation** | **181,661** | 134,880 |
| Tax calculated at UK Corporation Tax rate of 19.25% (2016: 20%) | 34,970 | 26,976 |
| Non-deductible expenses | 4,387 | 4,214 |
| Non recognition of tax losses | 3,657 | 4,538 |
| Other* | (1,192) | (595) |
| Adjustments in respect of prior years | (1,234) | (2,809) |
| Effect of difference between UK and non-UK tax rates | 12,632 | 11,725 |
| Effect of reduction in tax rate | 174 | 240 |
| Tax on associates | (414) | (271) |
| **Total income tax expense** | **52,980** | 44,018 |

* Other includes the non-taxable gain on disposal of subsidiaries

# 9. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders by the sum of the weighted average number of ordinary shares in issue during the year and the vested share options eligible to discretionary dividends equivalents, excluding unallocated shares held by the Trustees of the Employees' Share Ownership Plan Trust which are treated as treasury shares. The profit attributable to shareholders is the profit attributable to the owners of the parent adjusted for the dividends equivalents and undistributed earnings attributable to the unvested share options carrying unconditional dividends equivalents rights.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue to take account for the potential dilutive effect of outstanding share options.

Basic and diluted EPS are also calculated based on underlying earnings attributable to shareholders, which exclude any exceptional items.

A reconciliation of earnings is set out below:

| | **2017** | 2016 |
|---|---|---|
| | **No. of shares** | No. of shares |
| Weighted average number of shares | **211,009,657** | 210,455,334 |
| Effect of outstanding share options | **5,588,334** | 5,210,752 |
| **Adjusted weighted average number of shares** | **216,597,991** | 215,666,086 |

| | **2017** | | | | |
|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **Pence** | **Pence** |
| | **Earnings** | **Adjustments[2]** | **Adjusted earnings for basic earnings per share** | **Basic earnings per share** | **Diluted earnings per share** |
| **Underlying profit after taxation and non-controlling interests[1]** | **126,710** | **(84)** | **126,626** | **60.0** | **58.5** |
| Exceptional items before tax | (9,882) | | | | |
| Taxation thereon | 422 | | | | |
| Non-controlling interests | 1,128 | | | | |
| | **(8,332)** | **5** | **(8,327)** | **(3.9)** | **(3.8)** |
| **Profit attributable to the owners of the parent** | **118,378** | **(79)** | **118,299** | **56.1** | **54.7** |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | Pence | Pence |
| | Earnings | Adjustments[2] | Adjusted earnings for basic earnings per share | Basic earnings per share | Diluted earnings per share |
| Underlying profit after taxation and non-controlling interests[1] | 110,910 | (175) | 110,735 | 52.6 | 51.4 |
| Exceptional items before tax | (37,689) | | | | |
| Taxation thereon | 8,245 | | | | |
| | (29,444) | 45 | (29,399) | (14.0) | (13.6) |
| Profit attributable to the owners of the parent | 81,466 | (130) | 81,336 | 38.6 | 37.8 |

[1] Underlying excludes exceptional items

[2] Adjustments related to the dividends and undistributed earnings on unvested share options carrying unconditional dividends equivalent rights.

# 10. DIVIDENDS

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Final dividend in respect of 2016 of 20.6p per share (2015: 19.5p) | 45,087 | 42,713 |
| Less: adjustment* | (352) | (200) |
| | **44,735** | 42,513 |
| Interim dividend in respect of 2017 of 12.2p per share (2016: 11.6p) | 26,858 | 25,449 |
| | **71,593** | 67,962 |

* Adjustment relating to dividend equivalents accrued in respect of various performance related share awards and long-term incentive plans not currently anticipated to fully vest.

A final dividend in respect of 2017 of 21.8p per share (2016: 20.6p) amounting to a total of £47,700,000 (2016: £45,100,000) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting on 1 May 2018.

# 11. GOODWILL

| | Gross amount £'000 | Impairment losses £'000 | Net carrying amount £'000 |
|---|---|---|---|
| **At 31 December 2017** | | | |
| Opening net book value | **548,117** | **(5,104)** | **543,013** |
| Exchange differences | (17,942) | 282 | (17,660) |
| Impairment | - | (1,099) | (1,099) |
| Acquisitions | 53,524 | - | 53,524 |
| **Closing net book value** | **583,699** | **(5,921)** | **577,778** |
| At 31 December 2016 | | | |
| Opening net book value | 500,434 | (4,268) | 496,166 |
| Exchange differences | 47,380 | (355) | 47,025 |
| Impairment | - | (481) | (481) |
| Acquisitions | 17,854 | - | 17,854 |
| Disposals | (17,551) | - | (17,551) |
| Closing net book value | 548,117 | (5,104) | 543,013 |

# 11. GOODWILL CONTINUED

## IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to country of operation and business segment. A summary of the goodwill allocation is presented below.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period and are discounted using the weighted average cost of capital. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below:

| | | Key assumptions | |
|---|---|---|---|
| | Net carrying amount | Growth rate (1) | Discount rate (2) |
| | £'000 | % | % |
| **At 31 December 2017** | | | |
| JLT Re | 179,774 | 1.83% | 6.13% |
| JLT Europe | 145,913 | 1.75% | 5.54% |
| UK & Ireland Employee Benefits | 80,486 | 1.75% | 5.51% |
| JLT USA | 46,794 | 1.68% | 8.96% |
| Latin America | 40,668 | 3.73% | 10.59% |
| Australia & New Zealand | 37,708 | 2.65% | 7.65% |
| Asia | 28,252 | 2.79% | 4.45% |
| Other | 18,183 | 2.59% | 5.95% |
| | **577,778** | **2.31%** | **5.73%** |
| At 31 December 2016 | | | |
| JLT Re | 188,236 | 2.10% | 7.06% |
| JLT Europe | 126,088 | 2.01% | 6.05% |
| UK & Ireland Employee Benefits | 80,336 | 2.00% | 6.05% |
| JLT USA | 18,346 | 2.34% | 9.66% |
| Latin America | 42,262 | 3.39% | 11.16% |
| Australia & New Zealand | 38,455 | 2.50% | 8.26% |
| Asia | 29,912 | 2.41% | 6.48% |
| Other | 19,379 | 3.08% | 7.86% |
| | 543,013 | 2.28% | 6.98% |

1) Average growth rate used to extrapolate cash flows beyond five years.
2) Pre-tax discount rate applied to the cash flow projections.

**The key assumptions used in value-in-use calculations were:**

The budgeted trading profit growth: Management determines budgeted trading profit based on past experience and its expectation for market development.
The budgeted investment income growth is based on past experience and long-term interest rates projections.
The discount rates used are pre-tax and reflect specific risks relating to the relevant segment and country of operation.
The weighted average growth rates used are consistent with long-term economic forecasts in the countries of operation.
The value-in-use is compared to an adjusted goodwill. The adjusted goodwill is the goodwill grossed up to reflect a 100% ownership by the Group.

**The key sensitivity analysis are:**

A decrease of 1% in the growth rate resulted in a reduction of 30% in the excess between the value in use and the adjusted carrying value of goodwill.

An increase of 2% in the discount rate resulted in a reduction of 50% in the excess between the value in use and the adjusted carrying value of goodwill.

A combined decrease of 1% in the growth rate and an increase of 2% in the discount rate resulted in a reduction of 58% in the excess between the value in use and the adjusted carrying value of goodwill.

# 12. OTHER INTANGIBLE ASSETS

| | Computer software £'000 | Capitalised employment contract payments £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| **At 31 December 2017** | | | | |
| Opening net book value | **60,059** | **19,334** | **22,570** | **101,963** |
| Exchange differences | (501) | (548) | (611) | **(1,660)** |
| Reclassification | - | 451 | (451) | **-** |
| Additions | 22,543 | 15,381 | 752 | **38,676** |
| Companies acquired | 14 | - | 6,390 | **6,404** |
| Companies disposed | (474) | - | - | **(474)** |
| Amortisation charge | (17,360) | (15,629) | (2,966) | **(35,955)** |
| **Closing net book value** | **64,281** | **18,989** | **25,684** | **108,954** |
| | | | | |
| **At 31 December 2017** | | | | |
| Cost | 167,882 | 60,602 | 39,353 | **267,837** |
| Accumulated amortisation and impairment | (103,601) | (41,613) | (13,669) | **(158,883)** |
| **Closing net book value** | **64,281** | **18,989** | **25,684** | **108,954** |
| | | | | |
| At 31 December 2016 | | | | |
| Opening net book value | 61,883 | 25,902 | 16,538 | 104,323 |
| Exchange differences | 1,234 | 1,157 | 1,783 | 4,174 |
| Reclassification | - | (455) | 455 | - |
| Additions | 20,342 | 7,682 | 2,191 | 30,215 |
| Companies acquired | 3 | - | 3,921 | 3,924 |
| Companies disposed | (3,590) | - | (187) | (3,777) |
| Amortisation charge | (19,813) | (14,952) | (2,131) | (36,896) |
| Closing net book value | 60,059 | 19,334 | 22,570 | 101,963 |
| | | | | |
| At 31 December 2016 | | | | |
| Cost | 175,155 | 61,424 | 33,573 | 270,152 |
| Accumulated amortisation and impairment | (115,096) | (42,090) | (11,003) | (168,189) |
| Closing net book value | 60,059 | 19,334 | 22,570 | 101,963 |
| | | | | |
| At 31 December 2015 | | | | |
| Cost | 159,357 | 54,892 | 25,846 | 240,095 |
| Accumulated amortisation and impairment | (97,474) | (28,990) | (9,308) | (135,772) |
| Closing net book value | 61,883 | 25,902 | 16,538 | 104,323 |

Additions to computer software during 2017 include £19,863,000 of capitalised costs in respect of internal developments (2016: £18,097,000).

# 13. PROPERTY, PLANT AND EQUIPMENT

| | Land & buildings £'000 | Leasehold improvements £'000 | Furniture & equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 31 December 2017** | | | | | |
| Opening net book value | **20** | **47,156** | **15,017** | **2,137** | **64,330** |
| Exchange differences | (1) | (860) | (542) | (58) | **(1,461)** |
| Additions | - | 7,623 | 10,677 | 827 | **19,127** |
| Companies acquired | - | 60 | 356 | 122 | **538** |
| Companies disposed | - | - | (22) | - | **(22)** |
| Disposals | - | (415) | (165) | (559) | **(1,139)** |
| Depreciation charge | - | (6,075) | (5,846) | (807) | **(12,728)** |
| **Closing net book value** | **19** | **47,489** | **19,475** | **1,662** | **68,645** |
| | | | | | |
| **At 31 December 2017** | | | | | |
| Cost | 70 | 81,705 | 61,004 | 5,523 | **148,302** |
| Accumulated depreciation | (51) | (34,216) | (41,529) | (3,861) | **(79,657)** |
| **Closing net book value** | **19** | **47,489** | **19,475** | **1,662** | **68,645** |
| | | | | | |
| At 31 December 2016 | | | | | |
| Opening net book value | 18 | 46,035 | 14,618 | 2,496 | 63,167 |
| Exchange differences | 2 | 3,094 | 2,112 | 359 | 5,567 |
| Additions | - | 4,667 | 3,955 | 934 | 9,556 |
| Companies acquired | - | 66 | 116 | 69 | 251 |
| Companies disposed | - | (377) | (121) | (269) | (767) |
| Disposals | - | (168) | (303) | (447) | (918) |
| Depreciation charge | - | (6,161) | (5,360) | (1,005) | (12,526) |
| Closing net book value | 20 | 47,156 | 15,017 | 2,137 | 64,330 |
| | | | | | |
| At 31 December 2016 | | | | | |
| Cost | 74 | 93,572 | 95,805 | 5,936 | 195,387 |
| Accumulated depreciation | (54) | (46,416) | (80,788) | (3,799) | (131,057) |
| Closing net book value | 20 | 47,156 | 15,017 | 2,137 | 64,330 |
| | | | | | |
| At 31 December 2015 | | | | | |
| Cost | 63 | 88,093 | 88,076 | 5,769 | 182,001 |
| Accumulated depreciation | (45) | (42,058) | (73,458) | (3,273) | (118,834) |
| Closing net book value | 18 | 46,035 | 14,618 | 2,496 | 63,167 |

The net book value of property, plant and equipment held under finance leases is as follows:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Furniture, equipment and motor vehicles | **405** | 777 |

# 14. INVESTMENTS IN ASSOCIATES

None of the associates are considered individually material to the Group. A reconciliation of the summarised financial information of the associates is presented in aggregate below.

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| **Opening net assets** | **39,327** | 35,072 |
| Profit for the year | 10,454 | 1,330 |
| Other comprehensive income | 62 | - |
| Dividends | (5,349) | (4,592) |
| Change in non-controlling interests | (1,490) | - |
| Capital increase | - | 2,854 |
| Exchange differences | 1,181 | 4,663 |
| **Closing net assets** | **44,185** | 39,327 |
| **Carrying value** | **53,055** | 50,928 |

Subject to local regulations, the Group disposed of its Mexican associate, Sterling Re Intermediaro de Reaseguro SA de CV, in December 2017. Details of the transactions are provided on page 134.

There are no contingent liabilities relating to the Group's interest in any of its associates.

# 15. AVAILABLE-FOR-SALE AND HELD-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are categorised into one of two categories:

1. Investments and deposits, consist mainly of fixed term deposits, bonds and certificates of deposit. These investments are held at fair value and are classified between current and non-current assets according to the maturity date.
2. Other investments include securities and other investments held for strategic purposes and some debt instruments. The investments are held at fair value unless a fair value cannot be accurately determined in which case they are held at cost less any provision for impairment.

On 20 December 2017, the Group disposed of its 35.5% stake in its Mexican associate, Sterling Re Intermediaro de Reaseguro, SA de CV. The disposal is subject to certain conditions to be satisfied in the early part of 2018. The carrying value of the associate was reduced to £189,000 which resulted in an impairment charge of £537,000. The balance was then reclassified to held-for-sale financial assets. Together with costs on disposal, the net loss was £640,000.

On 20 December 2017, the Group disposed of its investment in Lorant, Martinez, Salas y Compañia, Agentes de Seguros y de Fianzas, S.A. de C.V.. Together with costs on disposal of £22,000, the net gain was £2,168,000.

| | Other investments £'000 | Investments & deposits £'000 | Total £'000 |
|---|---|---|---|
| **At 1 January 2017** | **13,079** | **127,659** | **140,738** |
| Exchange differences | (498) | (176) | **(674)** |
| Additions | - | 115,258 | **115,258** |
| Disposals/maturities | (54) | (121,855) | **(121,909)** |
| Revaluation deficit (included within equity) | 58 | 45 | **103** |
| Interest income | 312 | - | **312** |
| Amounts written off | (1,890) | - | **(1,890)** |
| **At 31 December 2017** | **11,007** | **120,931** | **131,938** |
| | | | |
| **Analysis of available-for-sale financial assets** | | | |
| Current | - | 115,080 | **115,080** |
| Non-current | 11,007 | 5,851 | **16,858** |
| **At 31 December 2017** | **11,007** | **120,931** | **131,938** |
| | | | |
| **Analysis of available-for-sale investments & deposits** | | | |
| Fiduciary funds | | 120,637 | |
| Own funds | | 294 | |
| **At 31 December 2017** | | **120,931** | |
| | | | |
| At 1 January 2016 | 6,436 | 9,049 | 15,485 |
| Exchange differences | 984 | 10,983 | 11,967 |
| Additions | - | 107,636 | 107,636 |
| Companies disposed | 6,301 | - | 6,301 |
| Disposals/maturities | (311) | (20) | (331) |
| Revaluation deficit (included within equity) | - | 11 | 11 |
| Amounts written off | (331) | - | (331) |
| At 31 December 2016 | 13,079 | 127,659 | 140,738 |
| | | | |
| Analysis of available-for-sale financial assets | | | |
| Current | - | 116,933 | 116,933 |
| Non-current | 13,079 | 10,726 | 23,805 |
| At 31 December 2016 | 13,079 | 127,659 | 140,738 |
| | | | |
| Analysis of available-for-sale investments & deposits | | | |
| Fiduciary funds | | 127,358 | |
| Own funds | | 301 | |
| At 31 December 2016 | | 127,659 | |

The credit quality of available-for-sale investments and deposits is assessed by reference to external credit ratings, where available, and other current and historical credit data including counterparty default rates. This is summarised as follows:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| AA | 38,265 | 49,621 |
| AA/A | 37,828 | 37,297 |
| A | 24,074 | 19,932 |
| BBB | 19,319 | 20,809 |
| Other | 1,445 | - |
| **Total** | **120,931** | 127,659 |

# 16. DERIVATIVE FINANCIAL INSTRUMENTS

| | At 31 December 2017 | | At 31 December 2016 | |
|---|---|---|---|---|
| | Assets £'000 | Liabilities £'000 | Assets £'000 | Liabilities £'000 |
| Interest rate swaps - fair value hedges | 14,366 | (6,772) | 32,740 | (3,477) |
| Forward foreign exchange contracts - cash flow hedges | 73,748 | (12,565) | 92,233 | (69,674) |
| Redemption liabilities - option contracts | - | (76,444) | - | (29,637) |
| **Total** | **88,114** | **(95,781)** | 124,973 | (102,788) |
| Current | 5,545 | (10,265) | 7,930 | (33,136) |
| Non-current | 82,569 | (85,516) | 117,043 | (69,652) |
| **Total** | **88,114** | **(95,781)** | 124,973 | (102,788) |

The credit quality of counterparties with whom derivative financial assets are held is assessed by reference to external credit ratings, where available, and other current and historical credit data including counterparty default rates. This is summarised as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| AA | 43,249 | 73,169 |
| AA/A | 12,591 | 9,374 |
| BBB | 32,274 | 42,430 |
| **Total** | **88,114** | 124,973 |

**Maturity analysis**

The table below analyses the Group's derivative financial instruments, which will be settled on a gross basis, into relevant maturity groupings based upon the remaining period at the balance sheet date to contractual maturity. The amounts disclosed are the contractual undiscounted cash flows.

| **At 31 December 2017** | Less than 1 year £'000 | Greater than 1 year £'000 |
|---|---|---|
| **Forward foreign exchange contracts** | | |
| Outflow | **(419,163)** | **(687,604)** |
| Inflow | **412,414** | **746,287** |

| At 31 December 2016 | Less than 1 year £'000 | Greater than 1 year £'000 |
|---|---|---|
| Forward foreign exchange contracts | | |
| Outflow | (477,260) | (719,936) |
| Inflow | 443,578 | 755,747 |

The Group's treasury policies are approved by the Board and are implemented by a centralised treasury department. The treasury department operates within a framework of policies and procedures that establish specific guidelines to manage currency risk, liquidity risk and interest rate risk and the use of counterparties and financial instruments to manage these risks. The treasury department is subject to periodic review by internal audit.

The Group uses various derivative instruments including forward foreign exchange contracts, interest rate swaps and, from time to time, foreign currency collars and options to manage the risks arising from variations in currency and interest rates. Derivative instruments purchased are primarily denominated in the currencies of the Group's main markets.

Where forward foreign exchange contracts have been entered into to manage currency risk, they are designated as hedges of currency risk on specific future cash flows, and qualify as highly probable transactions for which hedge accounting is applied. The Group anticipates that hedge accounting requirements will continue to be met on its foreign currency and interest rate hedging activities and that no material ineffectiveness will arise which will result in gains or losses being recognised through the income statement.

The fair value of financial derivatives based upon market values as at 31 December 2017 and designated as effective cash flow hedges was a net asset of £61.2 million and has been deferred in equity (2016: net asset of £22.6 million). Gains and losses arising on derivative instruments outstanding as at 31 December 2017 will be released to the income statement at various dates up to:

i) 38 months in respect of cash flow hedges on currency denominated UK earnings.

ii) 12 years in respect of specific hedges on USD denominated long-term debt drawn under the Group's USD private placement programme.

iii) 8 years in respect of interest rate hedges on Sterling denominated long term debt drawn under the Group's private placement programme.

No material amounts were transferred to the income statement during the year in respect of the fair value of financial derivatives.

Transactions maturing within 12 months of the balance sheet date are classified in current maturities. Transactions maturing in a period in excess of 12 months of the balance sheet date are classified in non-current maturities.

**a) Forward foreign exchange contracts**

The Group's major currency transaction exposure arises in USD and the Group continues to adopt a prudent approach in actively managing this exposure. As at 31 December 2017 the Group had outstanding foreign exchange contracts, principally in USD, amounting to a principal value of £1,158,701,000 (2016: £1,199,325,000).

As a guide, each USD 1 cent movement in the achieved rate (taking into account the hedges in place) currently translates into a change of approximately £1.8 million in revenue, with a corresponding impact on trading profit equal to approximately 70% of the revenue change.

**b) Interest rate swaps**

The Group uses interest rate hedges, principally interest rate swaps, to mitigate the impact of changes in interest rates. The notional principal amount of outstanding cross currency interest rate swaps as at 31 December 2017 was USD458,000,000 and £75,000,000 (2016: USD500,000,000 and £75,000,000). A net gain of £7.6 million (2016: net gain £29.3 million) on these instruments was offset by a fair value loss of £7.6 million (2016: loss £29.3 million) on the private placement loans, both of which were recognised in the income statement in the year.

**c) Redemption liabilities**

The redemption liabilities represent the valuation of the put options provided in the shareholders agreements of JLT Specialty Insurance Services Inc., JLT Sigorta ve Reasurans Brokerligi Ltd Sirketi, JLT SCK Corretora e Administradora de Seguros Ltda and Construction Risk Partners LLC. Fair value of these liabilities resulted in a gain of £1.1 million which was recognised in the income statement in the year.

The redemption liability increased in the year following the recognition of put option liabilities. These are detailed as follows:

a) options provided in the operating agreement of CRP Holding Company LLC for £47,941,000.

b) options in respect of new shareholders in JLT Specialty Insurance Services Inc. for £284,000.

The recognition of those liabilities resulted in a reduction in equity, related to transactions with non-controlling interest of £48,225,000.

**d) Price risk**

The Group does not have a material exposure to commodity price risk.

The maximum exposure to credit risk at the reporting date is the fair value of the derivatives on the balance sheet.

# 17. TRADE AND OTHER RECEIVABLES

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Trade receivables | 438,178 | 440,941 |
| Less: provision for impairment of trade receivables | (18,175) | (20,961) |
| **Trade receivables - net** | **420,003** | 419,980 |
| Other receivables | 163,336 | 143,703 |
| Prepayments | 27,167 | 24,957 |
| | **610,506** | 588,640 |

As at 31 December 2017, the Group had exposures to individual trade counterparties within trade receivables. In accordance with Group policy, Group operating companies continually monitor exposures against credit limits and concentrations of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non-payment by trade counterparties that have not been provided for.

Movements on the Group's provision for impairment of trade receivables are as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **At 1 January** | **(20,961)** | (15,018) |
| Currency translation adjustments | 1,038 | (1,483) |
| Companies acquired | (102) | (243) |
| Provisions for impairment of trade receivables | (4,402) | (8,355) |
| Receivables written off during the year as uncollectible | 2,160 | 2,980 |
| Unused amounts reversed | 4,092 | 1,158 |
| **At 31 December** | **(18,175)** | (20,961) |

The creation and release of provisions for impaired trade receivables have been included in 'Other operating costs' in the income statement. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and provided for.

| **At 31 December 2017** | **Trade receivables £'000** | **Provision for impairment £'000** | **Net trade receivables £'000** |
|---|---|---|---|
| Not overdue | 309,691 | - | **309,691** |
| Past due not more than three months | 88,220 | (53) | **88,167** |
| Past due more than three months and not more than six months | 21,668 | (2,514) | **19,154** |
| Past due more than six months and not more than one year | 7,916 | (4,925) | **2,991** |
| Past due more than one year | 10,683 | (10,683) | **-** |
| | **438,178** | **(18,175)** | **420,003** |

| At 31 December 2016 | Trade receivables £'000 | Provision for impairment £'000 | Net trade receivables £'000 |
|---|---|---|---|
| Not overdue | 324,227 | - | 324,227 |
| Past due not more than three months | 75,419 | (805) | 74,614 |
| Past due more than three months and not more than six months | 16,797 | (2,377) | 14,420 |
| Past due more than six months and not more than one year | 12,684 | (5,965) | 6,719 |
| Past due more than one year | 11,814 | (11,814) | - |
| | 440,941 | (20,961) | 419,980 |

# 18. CASH AND CASH EQUIVALENTS

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Cash at bank and in hand | 563,691 | 514,474 |
| Short-term bank deposits | 451,396 | 425,471 |
| | **1,015,087** | 939,945 |
| | | |
| Fiduciary funds | 811,247 | 748,628 |
| Own funds | 203,840 | 191,317 |
| | **1,015,087** | 939,945 |

Fiduciary funds represent client money held in the form of premiums due to underwriters, claims paid by insurers and due to policyholders, and funds held to defray commissions and other income. Fiduciary funds are not available for general corporate purposes.

The credit quality of cash at bank and in hand and short-term deposits is assessed by reference to external credit ratings where available and other current and historical credit data including counterparty default rates. This is summarised as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| AAA | 12,739 | 10,685 |
| AA | 373,163 | 318,613 |
| AA/A | 129,869 | 125,247 |
| A | 129,577 | 146,111 |
| BBB | 346,761 | 322,953 |
| Other | 22,978 | 16,336 |
| **Total** | **1,015,087** | 939,945 |

The effective interest rate in respect of short-term deposits was 1.20% (2016: 0.94%). These deposits have an average maturity of 14 days (2016: 16 days).

# 19. TRADE AND OTHER PAYABLES

| Current | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Insurance payables | **931,884** | 875,986 |
| Social security and other taxes | **20,706** | 18,735 |
| Other payables | **89,165** | 108,185 |
| Accruals and deferred income | **208,321** | 191,180 |
| Deferred and contingent consideration | **5,998** | 6,311 |
| | **1,256,074** | 1,200,397 |

| Non-current | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Other payables | **35,352** | 36,199 |
| Deferred and contingent consideration | **14,123** | 21,186 |
| | **49,475** | 57,385 |

We have reclassified £53,772,000 of accruals from other payables to accruals and deferred income in 2016. In 2017, the rent free accrual within other payables and deferred and contingent consideration has been split between current and non-current liabilities. The trade and other payables include £147,675,000 of non-financial liabilities (2016: £134,587,000).

# 20. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

| **At 31 December 2017**<br>**Assets per balance sheet** | **Loans and receivables**<br>**£'000** | **Derivatives used for hedging**<br>**£'000** | **Available-for-sale**<br>**£'000** | **Total**<br>**£'000** |
|---|---|---|---|---|
| Available-for-sale financial assets | - | - | 131,938 | **131,938** |
| Held-for-sale financial assets | - | - | 189 | **189** |
| Derivative financial instruments | - | 88,114 | - | **88,114** |
| Trade and other receivables (a) | 583,339 | - | - | **583,339** |
| Cash and cash equivalents | 1,015,087 | - | - | **1,015,087** |
| Total | **1,598,426** | **88,114** | **132,127** | **1,818,667** |

| **Liabilities per balance sheet** | **Derivatives used for hedging**<br>**£'000** | **Other financial liabilities**<br>**£'000** | **Total**<br>**£'000** |
|---|---|---|---|
| Borrowings | - | (710,098) | **(710,098)** |
| Trade and other payables (b) | - | (1,157,874) | **(1,157,874)** |
| Redemption liabilities - option contracts | (76,444) | - | **(76,444)** |
| Derivative financial instruments | (19,337) | - | **(19,337)** |
| **Total** | **(95,781)** | **(1,867,972)** | **(1,963,753)** |

| At 31 December 2016<br>Assets per balance sheet | Loans and receivables<br>£'000 | Derivatives used for hedging<br>£'000 | Available-for-sale<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Available-for-sale financial assets | - | - | 140,738 | 140,738 |
| Derivative financial instruments | - | 124,973 | - | 124,973 |
| Trade and other receivables (a) | 563,683 | - | - | 563,683 |
| Cash and cash equivalents | 939,945 | - | - | 939,945 |
| Total | 1,503,628 | 124,973 | 140,738 | 1,769,339 |

| Liabilities per balance sheet | Derivatives used for hedging<br>£'000 | Other financial liabilities<br>£'000 | Total<br>£'000 |
|---|---|---|---|
| Borrowings | - | (687,832) | (687,832) |
| Trade and other payables (b) | - | (1,123,195) | (1,123,195) |
| Redemption liabilities - option contracts | (29,637) | - | (29,637) |
| Derivative financial instruments | (73,151) | - | (73,151) |
| Total | (102,788) | (1,811,027) | (1,913,815) |

(a) Prepayments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

(b) Non-financial liabilities are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.

# 20. FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

| At 31 December 2017 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivatives used for hedging | - | 88,114 | - | **88,114** |
| Available-for-sale financial assets | | | | |
| - equity securities | - | - | 963 | **963** |
| - debt investments | - | - | 10,044 | **10,044** |
| - fixed deposits | 120,931 | - | - | **120,931** |
| Held-for-sale financial assets | - | - | 189 | **189** |
| **Total** | **120,931** | **88,114** | **11,196** | **220,241** |
| | | | | |
| **Liabilities** | | | | |
| Contingent consideration | - | - | (13,280) | **(13,280)** |
| Redemption liabilities - option contracts | - | - | (76,444) | **(76,444)** |
| Derivatives used for hedging | - | (19,337) | - | **(19,337)** |
| **Total** | **-** | **(19,337)** | **(89,724)** | **(109,061)** |

| At 31 December 2016 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivatives used for hedging | - | 124,973 | - | 124,973 |
| Available-for-sale financial assets | | | | |
| - equity securities | - | - | 1,115 | 1,115 |
| - debt investments | - | - | 11,964 | 11,964 |
| - fixed deposits | 127,659 | - | - | 127,659 |
| Total | 127,659 | 124,973 | 13,079 | 265,711 |
| | | | | |
| Liabilities | | | | |
| Contingent consideration | - | - | (18,898) | (18,898) |
| Redemption liabilities - option contracts | - | - | (29,637) | (29,637) |
| Derivatives used for hedging | - | (73,151) | - | (73,151) |
| Total | - | (73,151) | (48,535) | (121,686) |

Apart from where disclosed, there are no differences between the fair value and the carrying value of financial assets and liabilities.

Instruments included in level 1 are financial instruments traded in active markets for which the fair value is based upon quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Instruments included in level 2 are financial instruments that are not traded in an active market (for example, over-the-counter derivatives) and for which the fair value is determined by using internal and external models. These models maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in level 2. Level 2 includes derivatives used for hedging, which are valued using a discounted cash flow methodology incorporating observable market forward foreign exchange and interest rates.

During the year there were no transfers between level 1 and level 2. There were no changes in valuation techniques during the year.

Instruments included in level 3 are financial instruments for which one or more of the significant inputs is not based on observable market data. In respect of deferred and contingent consideration and redemption liabilities – option contracts, unobservable inputs include management's assessment of the expected future performance of relevant acquired businesses and are valued using a discounted cash flow methodology.

A 1% movement in the discount rate applied in the calculation of the redemption liability in respect of Construction Risk Partners LLC, the largest item within the redemption liability, would result in a change of the overall redemption liability of 6%.

# 20. FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

A reconciliation of the movements in level 3 is provided below:

| | Assets Level 3 £'000 | Liabilities Level 3 £'000 |
|---|---|---|
| **At 1 January 2017** | **13,079** | **(48,535)** |
| Exchange differences | (498) | 5,645 |
| Companies acquired | - | (49,757) |
| Utilised in the year | (54) | 3,969 |
| Reclassification from associates to held-for-sale | 189 | - |
| Revaluation gain (included within equity) | 58 | - |
| Charged to income statement | (1,578) | (1,046) |
| **At 31 December 2017** | **11,196** | **(89,724)** |

Of the £1,578,000 charged to the income statement, £312,000 is credited in net finance costs and £1,890,000 is charged to other operating costs.
Of the £1,046,000 charged to the income statement, £4,967,000 is charged to net finance costs and £3,921,000 is credited to other operating costs

# 21. BORROWINGS

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Current** | | |
| Bank overdraft | 19,055 | 18,223 |
| Unsecured loan notes | - | 35,980 |
| Bank borrowings | - | 243 |
| Finance lease liabilities | 171 | 283 |
| | **19,226** | 54,729 |
| **Non-current** | | |
| Unsecured loan notes | 420,472 | 471,975 |
| Bank borrowing | 270,142 | 160,629 |
| Finance lease liabilities | 258 | 499 |
| | **690,872** | 633,103 |
| **Total borrowings** | **710,098** | 687,832 |

The borrowings include secured liabilities (finance leases) of £429,000 (2016: £782,000).

Borrowings are discussed in the Finance Director's Review on page 37.

The exposure of the borrowings of the Group to interest rate changes and the periods in which the borrowings re-price are as follows:

| | 6 months or less £'000 | 6-12 months £'000 | 1-5 years £'000 | Over 5 years £'000 | Fixed rate £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2017** | **660,339** | **-** | **-** | **-** | **49,759** | **710,098** |
| At 31 December 2016 | 632,035 | 243 | - | - | 55,554 | 687,832 |

The effective interest rates at the balance sheet date were as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Bank overdraft | **-** | - |
| Unsecured loan notes - private placement | **2.61%** | 2.69% |
| Bank borrowings | **1.54%** | 1.34% |
| Finance lease liabilities | **5.06%** | 9.96% |

During 2017 and 2016 there was no interest charge on bank overdrafts. Interest is charged only to the extent that overdraft balances exceed the deposits held with the bank.

# 21. BORROWINGS CONTINUED

Maturity of non-current borrowings (excluding finance lease liabilities):

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Between 1 and 2 years | - | - |
| Between 2 and 3 years | 61,816 | 2 |
| Between 3 and 4 years | - | 67,386 |
| Between 4 and 5 years | 300,962 | 160,626 |
| Over 5 years | 327,836 | 404,590 |
| | **690,614** | 632,604 |

Finance lease liabilities - minimum lease payments:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| No later than 1 year | 193 | 337 |
| Later than 1 year and no later than 2 years | 93 | 268 |
| Later than 2 years and no later than 3 years | 54 | 173 |
| Later than 3 years and no later than 4 years | 48 | 78 |
| Later than 4 years and no later than 5 years | 36 | 32 |
| Later than 5 years | 52 | - |
| | **476** | 888 |
| Future finance charges on finance leases | (47) | (106) |
| **Present value of finance lease liabilities** | **429** | 782 |

The present value of finance lease liabilities is as follows:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| No later than 1 year | 171 | 283 |
| Later than 1 year and no later than 2 years | 85 | 233 |
| Later than 2 years and no later than 3 years | 47 | 161 |
| Later than 3 years and no later than 4 years | 43 | 74 |
| Later than 4 years and no later than 5 years | 33 | 31 |
| Later than 5 years | 50 | - |
| | **429** | 782 |

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

# 21. BORROWINGS CONTINUED

The carrying amount of the Group's borrowings are denominated in the following currencies:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Sterling | 372,866 | 264,657 |
| US Dollar | 335,829 | 422,148 |
| Other currencies | 1,403 | 1,027 |
| | **710,098** | 687,832 |

**Borrowing facilities**

The Group has undrawn committed borrowing facilities of:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Floating rate** | | |
| - expiring beyond one year | **229,000** | 337,000 |

Facilities expiring beyond one year relate to:

a) The committed unsecured £500 million revolving credit facilities in the name of JIB Group Limited which matures in February 2022. As at the balance sheet date, drawings under the revolving credit facilities are subject to a margin and fees of 115 basis points above the relevant LIBOR interest rate and additional commitment fees on the undrawn facility.

b) Senior unsecured loan notes totalling USD 83 million issued by JIB Group Limited under the Group's 2010 private placement programme with maturities of USD 42 million (£31.0 million) in September 2020 with a coupon of 5.59% and USD 41 million (£30.3 million) in September 2022 with a coupon of 5.69%. Drawings under the Group's private placement programme are swapped into Sterling floating and are subject to an equivalent spread over LIBOR of between 227 and 238 basis points.

c) Senior unsecured loan notes totalling USD 250 million issued by JIB Group Limited under the Group's 2012 private placement programme with maturities of USD 40 million (£29.5 million) in January 2020 with a coupon of 3.21%, USD 140 million (£103.4 million) in January 2023 with a coupon of 3.78% and USD 70 million (£51.7 million) in January 2025 with a coupon of 3.93%. The proceeds of this placement have been swapped into Sterling at fixed and LIBOR based floating rates and are subject to an equivalent spread over LIBOR of between 205 and 220 basis points.

d) Senior unsecured loan notes totalling £75 million issued by JIB Group Limited under the Group's April 2014 private placement programme maturing in April 2026 with a coupon of 4.27%. The proceeds of this placement have been swapped into LIBOR based floating rates and are subject to an equivalent spread over LIBOR of 150 basis points.

e) Senior unsecured loan notes totalling USD 125 million issued by JIB Group Limited under the Group's October 2014 private placement programme with maturities of USD 62.5 million (£46.1 million) in October 2026 with a coupon of 3.93% and USD 62.5 million (£46.1 million) in October 2029 with a coupon of 4.13%. The proceeds of this private placement in October 2014 have been swapped into Sterling at LIBOR based floating rates and are subject to an equivalent spread over LIBOR of between 146 and 157 basis points.

The terms and conditions of the Group's facilities include common debt and interest cover covenants with which the Group expects to continue to comply.

**Liquidity risk**

Liquidity risk arises from an inability to maintain an optimal cost of capital or meet the short term financial demands of the business. The Group has implemented the following steps to mitigate the risk:

- Management reviews of business unit balance sheets and cash flows
- Maintenance of committed credit facilities
- Compliance with regulatory minimum capital requirements and regular stress testing
- Maintenance of a conservative funding profile.

# 22. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Property, plant and equipment | 2,095 | 1,555 | (374) | (554) | 1,721 | 1,001 |
| Provisions | 10,652 | 15,937 | (990) | (5,273) | 9,662 | 10,664 |
| Losses | 2,123 | 1,858 | - | - | 2,123 | 1,858 |
| Deferred income | 421 | 879 | (5,770) | (5,386) | (5,349) | (4,507) |
| Other intangibles | 3,740 | 3,052 | (1,150) | (616) | 2,590 | 2,436 |
| Goodwill | 560 | 298 | (3,182) | (3,046) | (2,622) | (2,748) |
| Other | 1,809 | 3,407 | (1,660) | (1,826) | 149 | 1,581 |
| Pensions | 27,709 | 32,532 | (23) | (131) | 27,686 | 32,401 |
| Share based payments | 8,785 | 4,858 | - | - | 8,785 | 4,858 |
| Fair values | - | 11,166 | (1,890) | - | (1,890) | 11,166 |
| **Tax assets/(liabilities)** | **57,894** | **75,542** | **(15,039)** | **(16,832)** | **42,855** | 58,710 |
| Set-off of tax | (3,628) | (5,454) | 3,628 | 5,454 | - | - |
| **Net tax assets/(liabilities)** | **54,266** | 70,088 | **(11,411)** | (11,378) | **42,855** | 58,710 |

The majority of the deferred tax is not expected to reverse within 12 months.

The reconciliation in movements of net tax assets is provided below:

| | At 1 January 2017 £'000 | Exchange differences £'000 | Credit/ (charge) to income £'000 | Credit/ (charge) to equity £'000 | Acquisitions/ disposals of sub £'000 | At 31 December 2017 £'000 |
|---|---|---|---|---|---|---|
| Accelerated tax depreciation | 1,001 | (56) | 779 | - | (3) | 1,721 |
| Provisions | 10,664 | (340) | (662) | - | - | 9,662 |
| Losses | 1,858 | 231 | 34 | - | - | 2,123 |
| Deferred income | (4,507) | (442) | (407) | - | 7 | (5,349) |
| Other intangibles | 2,436 | (62) | 510 | - | (294) | 2,590 |
| Goodwill | (2,748) | 21 | 105 | - | - | (2,622) |
| Other | 1,581 | (1,310) | (122) | - | - | 149 |
| Pensions | 32,401 | 11 | 916 | (5,857) | 215 | 27,686 |
| Share based payments | 4,858 | 563 | 908 | 2,456 | - | 8,785 |
| Fair values | 11,166 | - | - | (13,056) | - | (1,890) |
| **Net tax assets** | **58,710** | **(1,384)** | **2,061** | **(16,457)** | **(75)** | **42,855** |

The total current and deferred income tax charged to equity during the year is as follows:

| | At 1 January 2017 £'000 | Credit/(charge) to equity £'000 | At 31 December 2017 £'000 |
|---|---|---|---|
| Pensions | 46,201 | (2,599) | **43,602** |
| Share based payments | 11,811 | 2,980 | **14,791** |
| Foreign Exchange | - | (2,929) | **(2,929)** |
| Fair values: | | | |
| - foreign exchange | 13,180 | (13,039) | **141** |
| - available-for-sale | 169 | (17) | **152** |
| | 13,349 | (13,056) | **293** |
| | **71,361** | **(15,604)** | **55,757** |

# 22. DEFERRED INCOME TAXES CONTINUED

Deferred tax assets are recognised to the extent that the realisation of the related tax benefits through the future taxable profits is considered probable. A deferred tax asset relating to tax losses of £14,030,000 (2016: £14,340,000) has not been recognised in the balance sheet in respect of certain of the Group's operations, principally US, China, Singapore and Japan, where it is considered likely that the losses will expire before use or are unlikely to be realised in the short term. A deferred tax asset relating to other deferred tax balances of £6,853,000 (2016: £7,473,000) has not been recognised in the balance sheet in respect of certain of the Group's overseas operations, principally the US, where it is considered that the asset is unlikely to be realised in the short term. Following the recent US tax reform the federal tax rate has reduced from 35% to 21%, the non recognised deferred tax assets in relation to the US have been calculated using the reduced rate of 21%.

Deferred tax liabilities have not been recognised on temporary differences of £136 million (2016: £124 million) representing the unremitted earnings of subsidiaries and joint ventures. Such amounts are permanently reinvested. Deferred tax liabilities have not been recognised on temporary differences of nil (2016: nil) representing unremitted earnings of associates.

# 23. PROVISIONS FOR LIABILITIES AND CHARGES

| | Property related provisions £'000 | Litigation provisions £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| **At 1 January 2017** | **2,919** | **7,442** | **36** | **10,397** |
| Exchange adjustment | (57) | (69) | - | **(126)** |
| Utilised in the year | (970) | (9,208) | - | **(10,178)** |
| (Credited)/charged to the income statement | (124) | 7,794 | - | **7,670** |
| Interest charge | 56 | - | - | **56** |
| Reclassification | 250 | (66) | - | **184** |
| Companies acquired | 30 | 381 | - | **411** |
| **At 31 December 2017** | **2,104** | **6,274** | **36** | **8,414** |
| | | | | |
| At 1 January 2016 | 1,300 | 18,223 | 114 | 19,637 |
| Exchange differences | 94 | 230 | - | 324 |
| Utilised in the year | (349) | (16,328) | - | (16,677) |
| Charged/(credited) to the income statement | 1,984 | 5,326 | (78) | 7,232 |
| Companies disposed | (110) | (9) | - | (119) |
| At 31 December 2016 | 2,919 | 7,442 | 36 | 10,397 |

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Analysis of total provisions** | | |
| Current - to be utilised within one year | 6,865 | 8,826 |
| Non-current - to be utilised in more than one year | 1,549 | 1,571 |
| | **8,414** | 10,397 |

**Property related provisions**

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Provision is made for the future rental cost of vacant property and expected dilapidation expenses. In calculating the provision required, account is taken of the duration of the lease and any recovery of cost achievable from subletting. Property provisions occur principally in the US and UK and relate to a variety of lease commitments. The longest lease term expires in 2026.

**Litigation provisions**

At any point in time the Group can be involved in a variety of litigation, regulatory and other government authorities investigations and disputes around the world. A provision is established in respect of such issues when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability. Where appropriate the Group also provides for the cost of defending or initiating such matters. However, the final outcome could differ materially from the amount provided.

## 23. PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED

Where a litigation provision has been made it is stated gross of any third party recovery. All such recoveries are included as "Other receivables" within trade and other receivables. At 31 December 2017, in connection with certain litigation matters, the Group's litigation provisions include an amount of £0.1million (2016: £0.1million) to reflect this gross basis and the corresponding insurance recovery has been included within trade and other receivables. This presentation has had no effect on the consolidated income statement for the year ended 31 December 2017 (2016: nil).

**Other**

Other provisions include provisions for clawback of commission which arises on certain types of Employee Benefits contracts.

## 24. SHARE CAPITAL AND PREMIUM

| | Number of shares | Ordinary shares £'000 | Share premium £'000 | Total £'000 |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| At 1 January 2016 | 220,171,007 | 11,008 | 104,074 | 115,082 |
| Issued during the year | 10,000 | - | 37 | 37 |
| At 31 December 2016 | 220,181,007 | 11,008 | 104,111 | 115,119 |
| Issued during the year | - | - | - | - |
| **At 31 December 2017** | **220,181,007** | **11,008** | **104,111** | **115,119** |

Ordinary shares carry rights to dividends, voting and proceeds on winding up and have a par value of £0.05.

During the year the Company issued nil (2016: 10,000) ordinary shares for a consideration of nil (2016: £38,250) following exercises by executives of options held under the Jardine Lloyd Thompson Group plc Executive Share Option Scheme.

As at 31 December 2017, the Employee Benefit Trust holds 7,557,229 ordinary shares (2016: 8,715,895) acquired to settle employee share based payments. Acquisitions of such shares are booked directly to equity.

## 25. NON-CONTROLLING INTERESTS

The Group's total non-controlling interest for the year is £19,911,000 of which £6,308,000 is attributed to JLT's Private Client Services group of businesses (PCS). PCS is defined as a material non-controlling interest to the Group. The non-controlling interests in respect of other entities are not individually material.

Set out below is the summarised financial information for PCS.

**Summarised Balance Sheet**

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| **Current** | | |
| Assets | 53,740 | 62,294 |
| Liabilities | (31,122) | (34,218) |
| **Total** | **22,618** | 28,076 |
| **Non-current** | | |
| Assets | 4,212 | 3,152 |
| Liabilities | (149) | (316) |
| **Total** | **4,063** | 2,836 |
| **Net assets** | **26,681** | 30,912 |

# 25. NON-CONTROLLING INTERESTS CONTINUED

**Summarised Statement of Comprehensive Income**

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Revenue | 63,552 | 64,018 |
| **Profit for the year** | **16,498** | 20,663 |
| Other comprehensive income | - | 550 |
| **Total comprehensive income for the year** | **16,498** | 21,213 |
| | | |
| Total comprehensive income attributable to non-controlling interests | 4,116 | 5,166 |
| Dividends paid to non-controlling interests | 5,043 | 2,229 |

**Summarised Statement of Cash Flows**

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Net cash generated from operating activities | 20,092 | 19,897 |
| Net cash used in investing activities | (2,060) | (291) |
| Net cash used in financing activities | (20,083) | (18,348) |
| **Net (decrease)/increase in cash and cash equivalents** | **(2,051)** | 1,258 |

The information above is the amount before inter-company eliminations.

# 26. OTHER RESERVES

| | Share premium £'000 | Fair value and hedging £'000 | Exchange reserves £'000 | Total £'000 |
|---|---|---|---|---|
| **At 1 January 2017** | **104,111** | **(54,453)** | **83,561** | **133,219** |
| Fair value gains net of tax: | | | | |
| - available-for-sale financial assets | - | 86 | - | 86 |
| - cash flow hedges | - | 63,657 | - | 63,657 |
| Currency translation differences | - | - | (34,957) | (34,957) |
| **Net gains/(losses) recognised directly in equity** | **-** | **63,743** | **(34,957)** | **28,786** |
| Issue of share capital | - | - | - | **-** |
| **At 31 December 2017** | **104,111** | **9,290** | **48,604** | **162,005** |

| | Share premium £'000 | Fair value and hedging £'000 | Exchange reserves £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2016 | 104,074 | (12,827) | (17,280) | 73,967 |
| Fair value (losses)/gains net of tax: | | | | |
| - available-for-sale financial assets | - | 42 | - | 42 |
| - available-for-sale reclassified to the income statement | - | (181) | - | (181) |
| - cash flow hedges | - | (41,487) | - | (41,487) |
| Currency translation differences | - | - | 100,841 | 100,841 |
| Net (losses)/gains recognised directly in equity | - | (41,626) | 100,841 | 59,215 |
| Issue of share capital | 37 | - | - | 37 |
| At 31 December 2016 | 104,111 | (54,453) | 83,561 | 133,219 |

## 27. QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST

During the year, the Qualifying Employee Share Ownership Trust (QUEST) allocated nil ordinary shares to employees in satisfaction of options that have been exercised under the Sharesave schemes (2016: nil).

## 28. CASH GENERATED FROM OPERATIONS

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| **Profit before taxation** | **181,661** | 134,880 |
| Investment and finance income | **(10,452)** | (6,877) |
| Interest payable on bank loans and finance leases | **16,738** | 17,491 |
| Fair value gains on financial instruments | **(401)** | (87) |
| Net pension financing expenses | **5,448** | 4,872 |
| Unwinding of liability discounting | **5,141** | 1,862 |
| Depreciation | **12,728** | 12,526 |
| Amortisation of other intangible assets | **35,955** | 36,896 |
| Amortisation of share based payments | **26,804** | 24,892 |
| Share of results of associates' undertakings | **(2,149)** | (1,353) |
| Non cash exceptional items | **893** | 5,294 |
| (Gains)/losses on disposal of businesses | **(910)** | 1,660 |
| Losses/(gains) on disposal of property, plant and equipment | **90** | (10) |
| (Gains)/losses on disposal of fixed asset investments | **(2,101)** | 8 |
| Increase in trade and other receivables | **(19,655)** | (67,160) |
| (Decrease)/increase in trade and other payables - excluding insurance broking balances | **(12,436)** | 24,788 |
| Decrease in provisions for liabilities and charges | **(3,823)** | (12,440) |
| Decrease in retirement benefit obligation | **(16,174)** | (10,530) |
| **Net cash inflow from operations** | **217,357** | 166,712 |

# 29. BUSINESS COMBINATIONS

**2016 Acquisitions**

During the year, the process of finalising the provisional fair values in respect of acquisitions carried out during 2016 has resulted in the following changes:

| | Revised fair value acquired £'000 | Provisional fair value reported at 31 Dec 2016 £'000 | Change in fair value £'000 |
|---|---|---|---|
| AssetVal Pty Ltd | 573 | 637 | (64) |
| Stonehill Reinsurance Partners, LLC | 2,122 | 2,085 | 37 |
| Risk & Reinsurance Solutions Corporation | 590 | 1,475 | (885) |
| Others | 181 | 186 | (5) |
| | **3,466** | **4,383** | **(917)** |

These changes in fair value affected the following balance sheet classes:

| | Revised fair value acquired £'000 | Provisional fair value reported at 31 Dec 2016 £'000 | Change in fair value £'000 |
|---|---|---|---|
| Property, plant and equipment | 151 | 152 | (1) |
| Other intangible assets | 3,310 | 3,168 | 142 |
| Trade and other receivables | 862 | 1,089 | (227) |
| Cash and cash equivalents | | | |
| - own cash | 1,051 | 1,121 | (70) |
| - fiduciary cash | 1,353 | 1,388 | (35) |
| Insurance payables | (1,353) | (1,388) | 35 |
| Trade and other payables | (1,380) | (1,004) | (376) |
| Current taxation | (27) | (27) | - |
| Deferred taxation | (410) | (116) | (294) |
| Non-controlling interests | (91) | - | (91) |
| | **3,466** | **4,383** | **(917)** |

| Goodwill calculation | At 31 Dec 2017 £'000 | At 31 Dec 2016 £'000 | Change £'000 |
|---|---|---|---|
| Purchase consideration | | | |
| - cash paid | 7,255 | 7,255 | - |
| - contingent consideration | 8,119 | 8,119 | - |
| - deferred consideration | 2,098 | 2,546 | (448) |
| **Total purchase consideration** | **17,472** | **17,920** | **(448)** |
| Less: fair value of net assets acquired | 3,466 | 4,383 | (917) |
| **Goodwill** | **14,006** | **13,537** | **469** |

| | At 31 Dec 2017 £'000 | At 31 Dec 2016 £'000 | Change £'000 |
|---|---|---|---|
| Purchase consideration settled in cash | 7,255 | 7,255 | - |
| Cash and cash equivalents - own cash in subsidiaries acquired | (1,051) | (1,121) | 70 |
| | 6,204 | 6,134 | 70 |
| Cash and cash equivalents - fiduciary cash in subsidiaries acquired | (1,353) | (1,388) | 35 |
| **Cash outflow on acquisition** | **4,851** | **4,746** | **105** |

# 29. BUSINESS COMBINATIONS CONTINUED

**Current year acquisitions**

During the year the following new business acquisitions and additional investments were completed:

| | Notes | Acquisition date | Percentage voting rights acquired | Cost £'000 |
|---|---|---|---|---|
| Construction Risk Partners LLC (CRP) | i | Jan 2017 | 50.1% | **38,650** |
| Belgibo NV | ii | Aug 2017 | 100.0% | **21,001** |
| Acquisition of other new business completed during the year | iii | Jan-Dec 2017 | 100.0% | **1,581** |
| Additional investments in existing businesses | iii | Jan-Dec 2017 | various | **7,685** |
| | | | | **68,917** |

**i) Acquisition of Construction Risk Partners LLC (CRP)**

On 27 January 2017, the Group completed the acquisition of CRP Holding Company LLC, the holding company of Construction Risk Partners LLC (CRP), one of the leading construction Risk and Surety specialty brokers in the USA, providing risk consulting and broking services. The acquired business contributed revenue of £18,325,000 and net profit, including acquisition and integration costs incurred to date, of £1,940,000 to the Group for the period since acquisition. If the acquisition had taken place on 1 January 2017, we estimate the contribution to Group revenue would have been £20,436,000 and net profit, including acquisition and integration costs incurred to date, would have been £2,413,000.

| Goodwill calculation | £'000 |
|---|---|
| Purchase consideration | |
| - cash paid | 38,650 |
| **Total purchase consideration** | **38,650** |
| Less: fair value of net assets acquired | 7,244 |
| **Goodwill** | **31,406** |

The assets and liabilities arising from the acquisition were as follows:

| | Acquiree's carrying amount £'000 | Fair value £'000 |
|---|---|---|
| Property, plant and equipment | 374 | 374 |
| Other intangible assets | 2 | 3,234 |
| Trade and other receivables | 280 | 280 |
| Cash and cash equivalents | | |
| - own cash | 8,717 | 8,717 |
| - fiduciary cash | 3,197 | 3,197 |
| Insurance payables | (3,197) | (3,197) |
| Trade and other payables | (4,120) | (4,120) |
| Non-controlling interests | - | (1,241) |
| | **5,253** | **7,244** |

| | £'000 |
|---|---|
| Purchase consideration settled in cash | 38,650 |
| Cash and cash equivalents - own cash in subsidiary acquired | (8,717) |
| | **29,933** |
| Cash and cash equivalents - fiduciary cash in subsidiary acquired | (3,197) |
| **Cash outflow on acquisition** | **26,736** |

As at 31 December 2017, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

Goodwill recognised is expected to be deductible for income tax purposes.

# 29. BUSINESS COMBINATIONS CONTINUED

**ii) Acquisition of Belgibo NV**

On 31 August 2017, the Group acquired Belgibo NV in Belgium, a long established, highly regarded Specialty broker, with market-leading expertise in Marine, Aviation and Credit & Political risks. The acquired business contributed revenue of £2,162,000 and net loss, including acquisition and integration costs incurred to date, of £220,000 to the Group for the year since acquisition. If the acquisition had taken place on 1 January 2017, we estimate the contribution to Group revenue would have been £7,871,000 and net loss, including acquisition and integration costs incurred to date, would have been £85,000.

| Goodwill calculation | £'000 |
|---|---|
| Purchase consideration | |
| - cash paid | 18,691 |
| - contingent consideration | 833 |
| - deferred consideration | 1,477 |
| **Total purchase consideration** | **21,001** |
| Less: fair value of net assets acquired | 775 |
| **Goodwill** | **20,226** |

The assets and liabilities arising from the acquisition were as follows:

| | Acquiree's carrying amount | Fair value £'000 |
|---|---|---|
| Property, plant and equipment | 165 | 165 |
| Other intangible assets | 12 | 2,870 |
| Trade and other receivables | 1,291 | 1,291 |
| Cash and cash equivalents | | |
| - fiduciary cash | 11,211 | 11,211 |
| Insurance creditors | (11,211) | (11,211) |
| Trade and other payables | (1,040) | (1,040) |
| Current taxation | (247) | (247) |
| Deferred taxation | 215 | 215 |
| Borrowings | (1,434) | (1,434) |
| Provisions for liabilities and charges | (411) | (411) |
| Retirement benefit obligations | (634) | (634) |
| | **(2,083)** | **775** |

| | £'000 |
|---|---|
| Purchase consideration settled in cash | 18,691 |
| Borrowings | 1,434 |
| | **20,125** |
| Cash and cash equivalents - fiduciary cash in subsidiary acquired | (11,211) |
| **Cash outflow on acquisition** | **8,914** |

As at 31 December 2017, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

Deferred consideration of £1,477,000 is based upon net assets shown in the completion accounts.

Contingent consideration of £833,000 is based upon expected revenue of future years.

The maximum contingent consideration is capped at €10,000,000.

None of the goodwill recognised is expected to be deductible for income tax purposes.

# 29. BUSINESS COMBINATIONS CONTINUED

**iii) Other acquisitions and additional investments in existing businesses**

| Goodwill calculation | £'000 |
|---|---|
| Purchase consideration | |
| - cash paid | 8,567 |
| - contingent consideration | 699 |
| **Total purchase consideration** | **9,266** |
| Less fair value of net assets acquired | 1,314 |
| Less equity movement on transactions with non-controlling interests | 6,529 |
| **Goodwill** | **1,423** |

The assets and liabilities arising from acquisitions were as follows:

| | Acquiree's carrying amount | Fair value £'000 |
|---|---|---|
| Other intangible assets | 158 | 158 |
| Non-controlling interests | 1,156 | 1,156 |
| | **1,314** | **1,314** |

| | £'000 |
|---|---|
| Purchase consideration settled in cash | 8,567 |
| **Cash outflow on acquisition** | **8,567** |

As at 31 December 2017, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

**Group summary of the net assets acquired and goodwill**

The assets and liabilities arising from acquisitions were as follows:

| | CRP £'000 | Belgibo £'000 | Others £'000 | Total £'000 |
|---|---|---|---|---|
| Purchase consideration: | | | | |
| - cash paid | 38,650 | 18,691 | 8,567 | **65,908** |
| - contingent consideration | - | 833 | 699 | **1,532** |
| - deferred consideration | - | 1,477 | - | **1,477** |
| **Total purchase consideration** | **38,650** | **21,001** | **9,266** | **68,917** |
| Less fair value of net assets acquired | 7,244 | 775 | 1,314 | **9,333** |
| Less equity movement on transactions with non-controlling interests | - | - | 6,529 | **6,529** |
| **Goodwill on acquisitions occurring during the year** | **31,406** | **20,226** | **1,423** | **53,055** |
| Impact of revision to fair value adjustment in relation to acquisitions completed in 2016 | | | | 469 |
| **Net increase in goodwill** | | | | **53,524** |
| Impact of additional investments | | | | 6,529 |
| **Net decrease in equity** | | | | **6,529** |

**Group summary of cash flows**

| | CRP £'000 | Belgibo £'000 | Others £'000 | Total £'000 |
|---|---|---|---|---|
| Purchase consideration settled in cash | 38,650 | 18,691 | 8,567 | **65,908** |
| Cash and cash equivalents - own cash in subsidiary acquired | (8,717) | - | - | **(8,717)** |
| Borrowings | - | 1,434 | - | **1,434** |
| | **29,933** | **20,125** | **8,567** | **58,625** |
| Cash and cash equivalents - fiduciary cash in subsidiary acquired | (3,197) | (11,211) | - | **(14,408)** |
| **Net cash outflow** | **26,736** | **8,914** | **8,567** | **44,217** |
| Impact of revision to fair value adjustment on cash in relation to acquisitions completed in prior years | | | | 105 |
| **Net cash outflow on acquisitions during the year** | | | | **44,322** |

# 30. BUSINESS DISPOSALS

On 31 May 2017, the Group disposed its shareholdings in Expacare Limited.

**Net assets and proceeds of disposal**

| | Fair value £'000 |
|---|---|
| Other intangible assets | 8 |
| Trade and other receivables | 538 |
| Cash and cash equivalents - own cash | 235 |
| Trade and other payables | (239) |
| Current taxation | (48) |
| Deferred taxation | 3 |
| **Net assets at disposal** | **497** |
| Gain on disposal | 675 |
| **Proceeds on disposal** | **1,172** |

| | Total £'000 |
|---|---|
| Disposal consideration settled in cash | 1,172 |
| Cash and cash equivalents - own cash in subsidiary disposed | (235) |
| **Cash inflow on disposal during the year** | **937** |

# 30. BUSINESS DISPOSALS CONTINUED

**Other disposals**

During the year the Group completed other disposals, none of which were individually significant.

**Net assets and proceeds of disposal**

| | Total £'000 |
|---|---|
| Property, plant and equipment | 22 |
| Other intangible assets | 466 |
| Trade and other receivables | 1,741 |
| Cash and cash equivalents | |
| - own cash | 35 |
| Trade and other payables | (67) |
| Current taxation | (22) |
| Deferred taxation | (5) |
| Non-controlling interests | 544 |
| **Net assets at disposal** | **2,714** |
| Exchange loss recycled from exchange reserves | (69) |
| Equity movement on transactions with non-controlling interests | 163 |
| Gain on disposals | 235 |
| **Proceeds on disposals** | **3,043** |

| | Total £'000 |
|---|---|
| Deferred proceeds | 2,388 |
| Cash inflow on disposals during the year | 655 |
| **Total consideration** | **3,043** |

| | Total £'000 |
|---|---|
| Disposal consideration settled in cash | 655 |
| Cash and cash equivalents - own cash in subsidiaries disposed | |
| - own cash in subsidiary disposed | (35) |
| **Cash inflow on disposals during the year** | **620** |

**Group summary of cash flows**

| | Expacare £'000 | Others £'000 | Total £'000 |
|---|---|---|---|
| Disposal consideration settled in cash | 1,172 | 655 | **1,827** |
| Cash and cash equivalents - own cash in subsidiaries disposed | | | |
| - own cash in subsidiary disposed | (235) | (35) | **(270)** |
| **Cash inflow on disposals during the year** | **937** | **620** | **1,557** |

The gain on disposal of businesses in the year of £910,000 together with costs on disposal of £603,000 result in a net gain on disposal of £307,000.

# 31. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of pension schemes throughout the world, the most significant of which are of the defined benefit type and operate on a funded basis. The principal pension schemes are the Jardine Lloyd Thompson UK Pension Scheme, the JLT (USA) Incentive Savings Plan, the JLT (USA) Employee Retirement Plan, the JLT (USA) Stable Value Plan, the Pension Plan for Employees of Jardine Lloyd Thompson Canada Inc and the Jardine Lloyd Thompson Ireland Limited Pension Fund and the Belgibo DB and DC Plans.

The pension service costs accrued for the year are as follows:

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Defined benefit schemes | - | - | - | 487 | - | 487 |
| Defined contribution schemes | 20,485 | 20,824 | 22,003 | 19,254 | 42,488 | 40,078 |
| | **20,485** | 20,824 | **22,003** | 19,741 | **42,488** | 40,565 |

The Jardine Lloyd Thompson UK Pension Scheme has two sections: one providing defined benefits and the other providing benefits on a defined contribution basis. The assets of the scheme are held in a trustee administered fund separate from the Company.

With effect from 1 December 2006 the defined benefit section of the Scheme was amended to cease future benefits accruals. Under the Scheme as amended, a participant's normal retirement benefit will be determined based on their service and compensation prior to 1 December 2006.

The latest finalised triennial actuarial funding valuation of the Jardine Lloyd Thompson UK Pension Scheme was undertaken as at 31 March 2014, and showed a deficit of £134.2 million. The company agreed with the Trustees that annual contributions of £10.5 million would be paid each July for 14 years, from 2015 and to 2018 to fund the scheme deficit. This valuation was updated to 31 December 2017 by a qualified actuary employed by the Group. An updated triennial actuarial valuation as at 31 March 2017 is currently being carried out but results are not yet available. The weighted average duration of the defined benefit obligation is 18 years (2016: 18 years).

The principal overseas schemes are:

a) The JLT (USA) Incentive Savings Plan which is a defined contribution scheme. Employees may contribute up to 50% of their salary subject to an IRS maximum each year of USD 18,000 in 2017 and the Group contributes at a rate of 100% of each 1% contributed by the employee up to a maximum employee contribution of 4%, up to a maximum of USD 10,600. Employees aged over 50 may make "catch-up" contributions subject to an IRS maximum each year of USD 6,000 in 2017.

b) The JLT (USA) Employee Retirement Plan which is a defined benefit scheme. The latest actuarial valuation was undertaken at 1 January 2017 by independent actuaries. With effect from 31 July 2005 the plan was amended to eliminate future benefit accruals. Under the plan as amended, a participant's normal retirement benefit will be determined based on their service and compensation prior to 31 July 2005. The average compensation and length of service will be determined as at 31 July 2005.

   The Group had made a settlement gain of £127,000 in 2016 relating to non-routine lump sum payments and it is disclosed under the curtailment gain.

c) The JLT (USA) Stable Value Plan. The latest actuarial valuation was undertaken as at 1 January 2017 by independent actuaries. With effect from 31 March 2016 the Plan was amended to eliminate future benefit accruals. Under the Plan as amended, a participant's normal retirement benefit will be determined based on their service and compensation prior to 31 March 2016. The average compensation and length of service was determined as at 31 March 2016. The plan closed in 2016.

d) The Pension Plan for Employees of Jardine Lloyd Thompson Canada Inc. has two sections: one providing defined benefits based primarily on the 2007 pensionable salary and the other providing benefits on a defined contribution basis. The JLT pension contribution for the defined contribution plan ranges from 3% to 13% based on age and service. The company makes additional contribution to defined contribution plans, not exceeding 2% of pensionable earnings, if the member makes a matching voluntary contributions. The Defined Benefit Pension Plan was amended on 1 January 2009 in order to close the plan to new entrants and eliminate future benefit accruals from this date forward.

   The JLT Canada Defined Pension Plan's last formal valuation was undertaken as at 31 December 2016 by a qualified third party actuary.

e) The Jardine Lloyd Thompson Ireland Limited Pension Fund, which is a defined benefit pension scheme, has its assets held in a separately administered fund. The contributions to it are agreed between the Trustees and the Company, based on the advice of an appropriately qualified independent actuary. The most recent triennial actuarial valuation for funding purposes was carried out by the appropriately qualified independent actuary as at 1 January 2014. With effect from 30 November 2008, the scheme was closed to new entrants and future service accrual ceased. The company also operates a defined contribution scheme, namely The Jardine Lloyd Thompson 2004 Retirement Benefits Scheme, which is held and administered under a separate trust. The most recent triennial actuarial valuation for funding purposes was carried out by an appropriately qualified independent actuary as at 1 January 2017.

f) The Belgibo DB and DC Plans has two sections: one pension plan providing defined benefits based primarily on the pensionable salary and two pension plans providing benefits on a defined contribution basis, subject to certain guaranteed minimum asset returns. The employer pension contribution for the defined contribution plan ranges from 2% to 6% based on category and service. The defined benefit scheme was amended on 1 January 2007 in order to close the plan to new entrants. The defined benefit scheme's last formal valuation was undertaken as at 31 December 2017 by a qualified third party actuary.

# 31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The principal actuarial assumptions used were as follows:

| At 31 December 2017 | UK Scheme | US Scheme | Canadian Scheme | Irish Scheme | US Stable Value Plan | Belgian Schemes |
|---|---|---|---|---|---|---|
| Rate of increase in salaries | n/a | n/a | n/a | n/a | n/a | 2.50% |
| Rate of increase of pensions in payment (a) | 3.16% | n/a | 2.00% | 3.00% | n/a | n/a |
| Discount rate (b) | 2.45% | 3.35% | 3.30% | 1.90% | 3.05-3.20% | 1.00-1.75% |
| Inflation rate | 3.26% | 2.00% | 2.00% | 1.50% | 2.00% | 2.00% |
| Revaluation rate for deferred pensioners | 2.26% | n/a | n/a | 1.50% | n/a | n/a |
| Mortality - life expectancy at age 65 for male members: (c) | | | | | | |
| Aged 65 at 31 December (years) | 21.7 | 21.1 | 22.0 | 22.8 | 22.0 | 20.4 |

| At 31 December 2016 | UK Scheme | US Scheme | Canadian Scheme | Irish Scheme | US Stable Value Plan | Belgian Schemes |
|---|---|---|---|---|---|---|
| Rate of increase in salaries | n/a | n/a | n/a | n/a | n/a | n/a |
| Rate of increase of pensions in payment (a) | 3.24% | n/a | 2.25% | 3.00% | n/a | n/a |
| Discount rate (b) | 2.80% | 4.00% | 3.90% | 1.90% | 3.35-3.40% | n/a |
| Inflation rate | 3.34% | 2.00% | 2.25% | 1.50% | 2.00% | n/a |
| Revaluation rate for deferred pensioners | 2.34% | n/a | n/a | 1.50% | n/a | n/a |
| Mortality - life expectancy at age 65 for male members: (c) | | | | | | |
| Aged 65 at 31 December (years) | 21.8 | 21.3 | 22.0 | 22.8 | 21.3 | n/a |

a) In respect of the UK scheme, where there are inflation linked benefits, the inflation increases are limited to a maximum of 5% per annum (some are limited to 3% per annum).

b) In line with IAS 19 (Revised) the expected return on scheme assets assumption is the same as the discount rate assumed for the liabilities.

c) Mortality assumptions for the UK scheme are based on 105% of the S2PxA tables, with improvements based on CMI 2016 tables with a 1.25% per annum long-term rate of improvement.
Mortality assumptions for the US Scheme and US Stable Value Plan are based on the RP2014 Mortality Table with MP2017 projections.
Mortality assumptions for the Canadian Scheme are based on the CPM-2014 Private Table with generational projection using scale CPM-B.
Mortality assumptions for the Irish Scheme, assume that deaths after retirement will be in accordance with standard mortality tables 90% PxA92C=2004 with allowance for expected future mortality improvements. There is assumed to be no pre-retirement mortality.
Mortality assumptions for the Belgian Schemes are based on the Belgian mortality table MR-3/FR-3.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Impact on defined benefit obligation | |
|---|---|---|
| | Change in assumptions | Change to obligation |
| Discount rate | **decrease of 0.1%** | **increase of 2.0%** |
| Inflation rate | **increase of 0.1%** | **increase of 1.0%** |
| Life expectancy | **increase of 1 year** | **increase of 4.0%** |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet. Note this sensitivity is for defined benefit obligations only and does not consider the impact that changes in assumptions may have on the assets, in particular the assets held in respect of the insured pensioners.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

# 31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

## Defined benefit obligation

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Present value of funded obligations | (652,028) | (674,029) | (72,553) | (72,315) | (724,581) | (746,344) |
| Fair value of plan assets | 495,616 | 489,533 | 59,681 | 58,399 | 555,297 | 547,932 |
| **Net liability recognised in the balance sheet** | **(156,412)** | (184,496) | **(12,872)** | (13,916) | **(169,284)** | (198,412) |

## Reconciliation of net defined benefit liability

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Opening defined benefit liability | **(184,496)** | (118,947) | **(13,916)** | (11,440) | **(198,412)** | (130,387) |
| Exchange differences | - | - | 1,049 | (2,169) | 1,049 | (2,169) |
| Pension expense | (5,346) | (4,778) | (1,155) | (1,274) | (6,501) | (6,052) |
| Employer contributions | 16,273 | 10,952 | 956 | 886 | 17,229 | 11,838 |
| Assets acquired in a business combination | - | - | (634) | - | (634) | - |
| Total gain/(loss) recognised in reserves | 17,157 | (71,723) | 828 | 81 | 17,985 | (71,642) |
| **Net liability recognised in the balance sheet** | **(156,412)** | (184,496) | **(12,872)** | (13,916) | **(169,284)** | (198,412) |

## Reconciliation of defined benefit obligation

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Opening defined benefit obligation | **(674,029)** | (576,343) | **(72,315)** | (61,940) | **(746,344)** | (638,283) |
| Exchange differences | - | - | 4,186 | (11,626) | 4,186 | (11,626) |
| Service cost | - | - | - | (487) | - | (487) |
| Interest cost | (18,063) | (21,435) | (2,405) | (2,502) | (20,468) | (23,937) |
| Curtailment gain | - | - | - | 127 | - | 127 |
| Settlement amount | - | - | - | 1,315 | - | 1,315 |
| Loss on defined benefit obligation | (18,002) | (121,841) | (3,722) | (1,120) | (21,724) | (122,961) |
| Actual benefit payments | 58,066 | 45,590 | 4,560 | 3,918 | 62,626 | 49,508 |
| Liabilities assumed in a business combination | - | - | (2,857) | - | (2,857) | - |
| **Closing defined benefit obligation** | **(652,028)** | (674,029) | **(72,553)** | (72,315) | **(724,581)** | (746,344) |

## Reconciliation of fair value of assets

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Opening value of assets | **489,533** | 457,396 | **58,399** | 50,500 | **547,932** | 507,896 |
| Exchange differences | - | - | (3,137) | 9,457 | (3,137) | 9,457 |
| Expected return on assets | 13,119 | 17,034 | 1,901 | 2,031 | 15,020 | 19,065 |
| Actuarial gain | 35,159 | 50,118 | 4,550 | 1,201 | 39,709 | 51,319 |
| Employer contributions | 16,273 | 10,952 | 956 | 886 | 17,229 | 11,838 |
| Actual benefit payments | (58,066) | (45,590) | (4,560) | (3,918) | (62,626) | (49,508) |
| Settlement amount | - | - | - | (1,315) | - | (1,315) |
| Expenses | (402) | (377) | (651) | (443) | (1,053) | (820) |
| Assets acquired in a business combination | - | - | 2,223 | - | 2,223 | - |
| **Closing value of assets** | **495,616** | 489,533 | **59,681** | 58,399 | **555,297** | 547,932 |

# 31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The analysis of the fair value of the scheme assets is as follows:

| | UK Schemes | | Overseas Schemes | |
|---|---|---|---|---|
| **At 31 December 2017** | **Value £'000** | **Value %** | **Value £'000** | **Value %** |
| Equities | 106,480 | 21% | 33,406 | 56% |
| Equity-linked liability driven investments (LDI) | 95,436 | 19% | - | - |
| Bonds | - | - | 14,038 | 24% |
| Investment funds | 85,993 | 17% | - | - |
| Qualifying insurance policies | 204,992 | 42% | - | - |
| Other assets | - | - | 6,367 | 10% |
| Cash | 2,715 | 1% | 5,870 | 10% |
| **Total market value** | **495,616** | **100%** | **59,681** | **100%** |

| | UK Schemes | | Overseas Schemes | |
|---|---|---|---|---|
| At 31 December 2016 | Value £'000 | Value % | Value £'000 | Value % |
| Equities | 186,674 | 38% | 34,795 | 60% |
| Bonds | - | - | 10,454 | 18% |
| Investment funds | 95,360 | 19% | - | - |
| Qualifying insurance policies | 205,719 | 42% | - | - |
| Other assets | - | - | 3,827 | 6% |
| Cash | 1,780 | 1% | 9,323 | 16% |
| **Total market value** | 489,533 | 100% | 58,399 | 100% |

Other assets include hedge funds and property. The schemes do not hold cash as a strategic investment and cash balances at 31 December represent working balances.

## Reconciliation of return on assets

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Expected return on assets | 13,119 | 17,034 | 1,901 | 2,031 | 15,020 | 19,065 |
| Actuarial gain | 35,159 | 50,118 | 4,550 | 1,201 | 39,709 | 51,319 |
| **Actual return on assets** | **48,278** | 67,152 | **6,451** | 3,232 | **54,729** | 70,384 |

The amounts recognised in the consolidated income statement are as follows:

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Service cost | - | - | - | (487) | - | (487) |
| Settlement and curtailment gain | - | - | - | 127 | - | 127 |
| Expenses | (402) | (377) | (651) | (443) | (1,053) | (820) |
| **Total (included within salaries and associated expenses)** | **(402)** | (377) | **(651)** | (803) | **(1,053)** | (1,180) |
| Interest cost | (18,063) | (21,435) | (2,405) | (2,502) | (20,468) | (23,937) |
| Expected return on assets | 13,119 | 17,034 | 1,901 | 2,031 | 15,020 | 19,065 |
| **Total (included within finance costs)** | **(4,944)** | (4,401) | **(504)** | (471) | **(5,448)** | (4,872) |
| **Expenses before taxation** | **(5,346)** | (4,778) | **(1,155)** | (1,274) | **(6,501)** | (6,052) |

# 31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The amounts included in the consolidated statement of comprehensive income are as follows:

| | UK Schemes | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 | **2017 £'000** | 2016 £'000 |
| Actuarial loss on defined benefit obligation | (18,002) | (121,841) | (3,722) | (1,120) | (21,724) | (122,961) |
| Actuarial gain | 35,159 | 50,118 | 4,550 | 1,201 | 39,709 | 51,319 |
| **Total actuarial gain/(loss) recognised** | **17,157** | (71,723) | **828** | 81 | **17,985** | (71,642) |
| **Cumulative actuarial loss recognised** | **(260,005)** | (277,162) | **(31,928)** | (32,756) | **(291,933)** | (309,918) |

The five year history of experience adjustments is as follows:

| | UK Schemes | | | | |
|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | 2015 £'000 | 2014 £'000 | 2013 £'000 |
| Defined benefit obligation at end of year | (652,028) | (674,029) | (576,343) | (641,759) | (583,745) |
| Fair value of plan assets | 495,616 | 489,533 | 457,396 | 479,139 | 458,727 |
| **Deficit in the schemes** | **(156,412)** | (184,496) | (118,947) | (162,620) | (125,018) |
| **Difference between the actual and expected return on plan assets** | | | | | |
| - amount (£'000) | **35,159** | 50,118 | (11,593) | 16,437 | (22,217) |
| - expressed as a percentage of the plan assets | **7.09%** | 10.24% | (2.53%) | 3.43% | (4.84%) |
| **Experience (gain)/loss on plan liabilities** | | | | | |
| - amount (£'000) | **(5,793)** | (7,009) | (8,840) | 1,592 | 1,364 |
| - expressed as a percentage of the present value of the plan liabilities | **0.89%** | 1.04% | 1.53% | (0.25%) | (0.23%) |

| | Overseas Schemes | | | | |
|---|---|---|---|---|---|
| | **2017 £'000** | 2016 £'000 | 2015 £'000 | 2014 £'000 | 2013 £'000 |
| Defined benefit obligation at end of year | **(72,553)** | (72,315) | (61,940) | (78,044) | (60,566) |
| Fair value of plan assets | **59,681** | 58,399 | 50,500 | 61,629 | 54,957 |
| **Deficit in the schemes** | **(12,872)** | (13,916) | (11,440) | (16,415) | (5,609) |
| **Difference between the actual and expected return on plan assets** | | | | | |
| - amount (£'000) | **4,550** | 1,201 | (762) | 2,450 | 6,863 |
| - expressed as a percentage of the plan assets | **7.62%** | 2.06% | (1.51%) | 3.98% | 12.49% |
| **Experience (gain)/loss on plan liabilities** | | | | | |
| - amount (£'000) | **233** | (4,450) | (1,427) | 1,265 | 377 |
| - expressed as a percentage of the present value of the plan liabilities | **(0.32%)** | 6.15% | 2.30% | (1.62%) | (0.62%) |

The expected employer contributions in respect of the year ending 31 December 2018 are as follows:

| | **Defined benefit £'000** |
|---|---|
| UK Scheme | 10,500 |
| US Scheme | 991 |
| Canadian Scheme | 42 |
| Irish Scheme | 946 |
| Belgian Schemes | 42 |
| **Total expected contributions** | **12,521** |

# 32. RELATED-PARTY TRANSACTIONS

### Transactions with the Jardine Matheson Group

As at 22 February 2018 the Jardine Matheson Group owns 40.16% of the Company's shares via its wholly-owned subsidiary JMH Investments Limited. The remaining 59.84% of the shares are widely held.

In the normal course of business a number of the Group's subsidiaries undertake, on an arm's-length basis, a variety of transactions with the Jardine Matheson Group (JMG) and its associates (JMA).

The following transactions were carried out during the year:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **JMG £'000** | **JMA £'000** | **Total £'000** | JMG £'000 | JMA £'000 | Total £'000 |
| **Income** | | | | | | |
| Fees and commissions | 4,673 | 2,245 | **6,918** | 3,999 | 1,941 | 5,940 |
| **Expenditure** | | | | | | |
| Administrative expenses | 1,420 | - | **1,420** | 1,598 | - | 1,598 |
| **Year-end balances arising from these transactions:** | | | | | | |
| Trade and other receivables | 1,199 | 366 | **1,565** | 962 | 642 | 1,604 |
| Trade and other payables | (17) | - | **(17)** | (82) | - | (82) |
| | **1,182** | **366** | **1,548** | 880 | 642 | 1,522 |

### Transactions with associates

The following transactions were carried out with associates during the year:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| **Income** | | |
| Fees and commissions | 2,791 | 3,238 |
| **Finance income** | | |
| Interest receivable - own funds | 65 | 8 |
| **Expenditure** | | |
| Administrative expenses | 27 | 19 |
| **Year-end balances arising from these transactions:** | | |
| Trade and other receivables | 3,096 | 4,966 |
| Trade and other payables | - | (1) |
| | **3,096** | 4,965 |

### Transactions with key management

The related-party disclosure regarding key management is detailed in note 6 on page 124.

# 33. COMMITMENTS

### Capital commitments

Capital expenditure contracted for 2018 at the balance sheet date amounts to £1,916,000 (2017: £1,293,000).

### Operating lease commitments - where a Group company is the lessee

The future aggregate minimum lease payments under a non-cancellable operating leases are as follows:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| No later than 1 year | 42,787 | 42,981 |
| Later than 1 year and no later than 5 years | 141,390 | 146,090 |
| Later than 5 years | 271,554 | 300,912 |
| | **455,731** | 489,983 |

The Group leases various offices under non-cancellable operating lease agreements. The principal lease term on the Group's headquarters at The St Botolph Building is for 21 years from the balance sheet date. Rents will be reviewed on 1 October 2018, and every 5 years thereafter, and will be calculated by reference to the prevailing market rate.

### Sub-leases

### Operating lease commitments - where a Group company is the lessor

The future aggregate minimum lease payments under non-cancellable operating sub-leases are as follows:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| No later than 1 year | 165 | 151 |
| Later than 1 year and no later than 5 years | 156 | 231 |
| | **321** | 382 |

### Legal and other loss contingencies

Jardine Lloyd Thompson Group plc and its subsidiaries are subject to various claims, legal proceedings, investigations by regulatory and other government authorities and disputes around the world including alleged errors and omissions in connection with the placement of insurance and reinsurance risks and consulting services.

IFRS requires that liabilities for contingencies be recorded when it is probable that a liability has been incurred before the balance sheet date and the amount can be reasonably estimated. Significant management judgement is required to comply with this guidance. The Group analyses its litigation exposure based on available information, including external legal consultation where appropriate, to assess its potential liability.

On the basis of present information, amounts already provided, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on the consolidated financial position of the Group. However, it is possible that future results of operations or cash flows for any annual period could be materially affected by an unfavourable resolution of these matters.

As at 31 December 2017, the Group has contingent liabilities in respect of guarantees and letters of credit given on behalf of Group companies amounting to £14,385,000 (2016: £12,024,000).

In the UK, the Group is working with the UK Financial Conduct Authority following a market-wide thematic review of financial advice provided to customers who were offered enhanced transfer value products ('ETVs'). Pending the outcome of the UK Financial Conduct Authority's review a provision has been created for the estimated administration costs of completing the work for this review. It is too early to determine whether any further liability exists.

# 34. SUBSEQUENT EVENTS

On 14 February 2018 the Group acquired, subject to FCA approval, 100% of the issued share capital of Chartwell Healthcare Limited for a maximum consideration of £7.1 million, payable in cash in tranches from completion to 2020.

On 28 February 2018 the Group acquired 100% of the issued share capital of International Risk Consultants Inc. for a consideration of USD 25.0 million, payable at completion.

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES

The following were the subsidiaries and associated undertakings at 31 December 2017. Unless otherwise shown, the capital of each company is wholly-owned, is in ordinary shares and the principal country of operation is the country of incorporation/registration.

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| **United Kingdom** | | | |
| Agnew Higgins Pickering & Company Limited | | BDO LLP, 55 Baker Street, London, W1U 7EU, England | |
| Aldgate Trustees Ltd | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Aviary Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Burke Ford Trustees (Leicester) Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| CPRM Limited | | Lochside House, 7 Lochside Avenue, Edinburgh, EH12 9DJ, Scotland | |
| Fly Fizzi Limited | 33.00 | Pyers Croft, Compton, Chichester, West Sussex, PO18 9EX, England | |
| GCube Underwriting Limited | | 155 Fenchurch Street, London, EC3M 6AL, England | |
| Gracechurch Trustees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Gresham Pension Trustees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Hayward Aviation Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| iimia (Holdings) Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Independent Trustee Services Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JIB Group Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JIB Group Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JIB Overseas Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JIB UK Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | 3 |
| JLT Actuaries and Consultants Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Advisory Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Benefit Consultants Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Benefit Solutions Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Colombia Retail Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Colombia Wholesale Limited | 94.37 | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Consultants & Actuaries Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Corporate Services Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT EB Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT EB Services Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Financial Consultants Ltd | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Insurance Group Holdings Ltd | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Investment Management Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT LATAM (Southern Cone) Wholesale Limited | 53.00 | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Latin American Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Management Services Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Mexico Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Nominees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Pension Trustees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Pensions Administration Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Pensions Administration Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Peru Reinsurance Solutions Limited | 80.07 | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| JLT Peru Retail Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Peru Wholesale Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Re Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Reinsurance Brokers Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Secretaries Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Specialty Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Trustees (Southern) Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Trustees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT UK Investment Holdings Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| JLT Wealth Management Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Leadenhall Independent Trustees Ltd | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Lloyd & Partners Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| M.P. Bolshaw and Company Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Marine, Aviation & General (London) Limited | 25.00 | 10 Eastcheap, London, EC3M 1AJ, England | 4 |
| Pavilion Insurance Management Limited | | BDO LLP, 55 Baker Street, London, W1U 7EU, England | |
| Pavilion Insurance Network Limited | | BDO LLP, 55 Baker Street, London, W1U 7EU, England | |
| Pension Capital Strategies Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Personal Pension Trustees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Pet Animal Welfare Scheme Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Portland Pensions Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Portsoken Trustees (No. 2) Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Portsoken Trustees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Premier Pension Trustees Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Profund Solutions Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| Renewable Energy Loss Adjusters Limited | | The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England | |
| **Angola** | | | |
| Jardines PF - Consultoria Em Gestao de Risco Lda | | Rua Kuamme Knrumah Numero 31, Ingombota, Luanda, Angola | 1 |
| **Anguilla** | | | |
| JLT Towner Insurance Management (Anguilla) Limited | | Babrow's Commercial Complex, The Valley, AI-2640, Anguilla | |
| **Argentina** | | | |
| JLT Re Argentina Corredores de Reaseguros S.A. | 53.00 | Della Paolera 265, Torre Boston, 24th Floor Retiro, C.A.B.A, Argentina | |
| JLT Insurance Brokers S.A. | 74.50 | c/o Estudio Beccar Varela, Tucuman 1, 4th Floor, Beunos Aires, Argentina | |
| **Australia** | | | |
| AssetVal Pty Ltd | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Australian Insurance Brokers Pty Ltd | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Broderick Piller Pty Ltd | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Echelon Australia Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Group Promoters Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Jardine Lloyd Thompson Australia Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| JLT Group Services Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| Jardine Lloyd Thompson Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| JLT Re Pty Ltd | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Key Underwriting Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Premium Services Australia Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| The Recovre Group Pty Ltd | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Risk Management Australia Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| Local Government Insurance Brokers Pty Limited | | Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia | |
| **Austria** | | | |
| GrECo International Holding AG | 20.00 | 1190 Vienna, Elmargasse 2-4, Postfach 299, Vienna, Austria | 4 |
| **Barbados** | | | |
| Isosceles Insurance (Barbados) Limited | 90.91 | 1st Floor, Limegrove Centre, Holetown, St James, Barbados | |
| JLT Holdings (Barbados) Ltd | 90.91 | 1st Floor, Limegrove Centre, Holetown, St James, Barbados | |
| JLT Insurance Management (Barbados) Ltd | 90.91 | 1st Floor, Limegrove Centre, Holetown, St James, Barbados | |
| JLT Management (Barbados) Ltd | 90.91 | 1st Floor, Limegrove Centre, Holetown, St James, Barbados | |
| JLT Trust Services (Barbados) Limited | 90.91 | 1st Floor, Limegrove Centre, Holetown, St James, Barbados | |
| **Belgium** | | | |
| Belgibo N.V. | | De Gerlachekaai 20, 2000 Antwerp, Belgium | |
| CMC-Belgibo | | De Gerlachekaai 20, 2000 Antwerp, Belgium | |
| **Bermuda** | | | |
| Agnew Higgins Pickering & Co. (Bermuda) Ltd | | Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda | |
| Eagle & Crown Limited | | Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda | |
| Evolution Management Ltd | | Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda | |
| Isosceles Insurance Ltd | 98.36 | Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda | 3 |
| JLT Holdings (Bermuda) Ltd. | | Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda | |
| JLT Bermuda Ltd | | Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda | |
| JLT Insurance Management (Bermuda) Limited | | Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda | |
| Sail Insurance Company Limited | | Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda | |
| Secure Limited | | Jardine House, 33-35 Reid Street, Hamilton, Bermuda | |
| JLT Re Limited | | Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda | |
| **Brazil** | | | |
| JLT Brasil Holdings Participacoes Ltd | 75.72 | Avenida Beira Mar no. 200, 8º andar (parte), Centro, Rio de Janeiro, Brazil | 1 |
| JLT do Brasil Corretagem de Seguros Ltda | 75.72 | Avenida Engenheiro Luis Carlos Berrini no. 105, Condomino Thera One, Sao Paulo, Brazil | 1 |
| JLT RE Brasil, Administracao e Corretagem de Resseguros Ltda | 75.72 | Avenida Beira Mar no. 200, 8º andar (parte), Centro, Rio de Janeiro, Brazil | 1 |
| JLT SCK Affinity Administracao e Corretora de Seguros Ltda. | 56.79 | Ave. Presidente Wilson, 231, 74.107.483/0001-64, Centro, Rio de Janeiro, Brazil | 1 |
| JLT SCK Corretora e Administradora de Seguros | 56.79 | Ave. Presidente Wilson, 231, 74.107.483/0001-64, Centro, Rio de Janeiro, Brazil | 1 |
| **Canada** | | | |
| Jardine Lloyd Thompson Canada Inc | | Suite 2900, 550 Burrard Street Vancouver BC V6C 0A3, Canada | |
| **Cayman Islands** | | | |
| Colombian Insurance Broking Wholesale Limited | 74.50 | Wallkers Corporate Ltd, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1 9008, Cayman Islands | |

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| **Chile** | | | |
| JLT Chile Corredores de Reaseguro Limitada | 50.10 | Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile | |
| Alta SA | 50.10 | Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile | |
| JLT Asesorias Ltda | 50.10 | Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile | |
| JLT Chile Holdings SpA | | Miraflores 222 piso 28 Santiago, Chile | |
| JLT-Orbital Corredores de Seguros Limitada | 50.10 | Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile | |
| **China** | | | |
| JLT Insurance Brokers Co., Limited | | The Pinnacle, 17 Zhu Jiang Road West, Tianhe District, Guangzhou 510623, China | |
| JLT Essential Benefit Solutions Corporation Limited | 51.00 | 6/F, Building 2, Pudong Harvest Park, 3601 Dongfang Road, Pudong, Shanghai 200125, China | |
| **Colombia** | | | |
| JLT Affinity Colombia Solutions SAS | 82.65 | Carrera 7 # 71- 21 , Torre B, Bogota, Colombia | |
| Beneficios Integrales Oportunos SA | 82.65 | Calle 72 N° 10 – 07 Of. 1004. Bogota, Colombia | |
| JLT Re Colombia, Corredores Colombianos de Reaseguros | 94.34 | Calle 742 No. 10-51 PH, Bogota, Colombia | |
| Jardine Lloyd Thompson Valencia y Iragorri Corredores de Seguros SA | 82.65 | Calle 72 N° 10 – 07 Of. 1004. Bogota, Colombia | |
| **Denmark** | | | |
| JLT Specialty Insurance Broker A/S | | Hellerupgardvej 18, 2900 Hellerup, Denmark | |
| **France** | | | |
| JLT France Holdings | | 94 Rue de la Victoire, 75009, Paris, France | |
| JLT Specialty France | | 94 Rue de la Victoire, 75009, Paris, France | |
| JLT Energy (France) SAS | 35.40 | 18 Rue de Courcelles, 75008, Paris, France | 4 |
| JLT PLA | | 94 Rue de la Victoire, 75009, Paris, France | |
| **Germany** | | | |
| JLT Reinsurance Brokers GmbH | | Arnulfstrabe 19, 80335, Munchen, Germany | |
| **Guernsey** | | | |
| Isosceles PCC Limited | | Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey | |
| JLT Insurance Management (Guernsey) Limited | | Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey | |
| **Hong Kong** | | | |
| JLT Agencies Limited | | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |
| JLT Essential Holdings Limited | 51.00 | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |
| Jardine ShunTak Insurance Brokers Limited | 50.00 | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |
| Jardine Lloyd Thompson PCS Limited | 75.00 | 20th Floor, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Island East, Hong Kong | |
| Jardine Lloyd Thompson Limited | | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |
| Lambert Brothers Holdings Limited | | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |
| Lambert Brothers Insurance Brokers (Employee Benefits) Ltd | | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |
| Lambert Brothers Insurance Brokers (Hong Kong) Ltd | | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |
| JLT Insurance Agencies Limited | | 25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | |

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| **India** | | | |
| JLT Independent Insurance Brokers Private Limited | 49.00 | Peninsula Corporate Park, Ganpat Rao Kadam Marg, Off, Senapati Bapat Marg, Mumbai, 400013, India | 4 |
| JLT Vantage Risk and Benefit Consulting Private Limited | 49.00 | C-6.2 Dr Herekar Park, Nehru Park, Pune, Maharashtra, 411004, India | 4 |
| Jardine Lloyd Thompson Insurance Consultants Limited | 92.61 | E-2/16, 2nd Floor, White House, Ansari Road, Darya Ganj, New Dehli, 110002, India | |
| Jardine Lloyd Thompson India Private Limited | | 1001-A, Supreme Business Park, Supreme City, Hiranandani Gardens, Powai, Mumbai, Maharashtra, 400076, India | |
| **Indonesia** | | | |
| PT Jardine Lloyd Thompson | 80.00 | World Trade Center, 10th Floor, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia | |
| PT Nexus Asia Pacific | | World Trade Center, 10th Floor, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia | |
| PT JLT Reinsurance Brokers | 75.00 | World Trade Center, 10th Floor, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia | |
| **Ireland** | | | |
| JLT Risk Management Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| Freedom Trust Services Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| JLT Intellectual Property Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| International Loss Control Services Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| Jardine Pension Trustees Ireland Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| Jardine Lloyd Thompson Ireland Holdings Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| Jardine Lloyd Thompson Ireland Unlimited Company | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| JLT Financial Planning Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| JLT Insurance Brokers Ireland Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| JLT QFM Services Limited | | Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland | |
| **Italy** | | | |
| MAG JLT SpA | 25.00 | Francesco Crispi 74, Naples, Italy | 4 |
| **Japan** | | | |
| JLT Holdings Japan Limited | | Halifax Bldg. 4F, 16-26 Roppoongi 3-chome, Minato-ku, Tokyo, Japan | |
| JLT Risk Services Japan Limited | | Halifax Bldg. 4F, 16-26 Roppoongi 3-chome, Minato-ku, Tokyo, Japan | |
| JLT Japan Limited | | Halifax Bldg. 4F, 16-26 Roppoongi 3-chome, Minato-ku, Tokyo, Japan | |
| **Republic of Korea** | | | |
| Jardine Lloyd Thompson Korea Limited | | (Gongpyeong-dong), 16th Floor, 47, Jongno-gu, Seoul, Republic of Korea | |
| **Malaysia** | | | |
| Echelon Claims Consultants Sdn Bhd | | Faber Imperial Court, 21A Jalan Sultan Ismail, 50250, Kuala Lumpur, Malaysia | |
| JLT Asia Shared Services Sdn Bhd | | Menara Shell, No 211 Jalan Tun Sambathan 50470 Kuala Lumpur, Malaysia | |
| JLT Re Labuan Limited | | Saguking Commercial Building, Jalan Patau-Patau 87000 Labuan FT, Malaysia | |
| Jardine Lloyd Thompson Sdn Bhd | 49.00 | Faber Imperial Court, 21A Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia | |
| **Malta** | | | |
| JLT Insurance Management Malta Limited | 34.00 | Abate Rigord Street, Ta'Xbiex, XBX 1111, Malta | 4 |
| Manoel Management Services Ltd | 34.00 | Abate Rigord Street, Ta'Xbiex, XBX 1111, Malta | 4 |
| **Mauritius** | | | |
| JI Holdings Limited | | c/o SGG Corporate Services (Mauritius) Ltd, Les Cascades, Edith Cavell Street, Port Louis, Republic of Mauritius | |

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| **Mexico** | | | |
| JLT Mexico, Intermediario de Reaseguro, S.A. de C.V. | | Avenida Insurgentes Sur 1898, Piso 19, Colonia Florida, CP 01030 México City | |
| Sterling Re Intermediario de Reaseguro, SA de CV | 35.50 | Insurgentes, Colonia, Torre 01030, Mexico DF | 4 |
| **Netherlands** | | | |
| JLT Netherlands BV | | Schouwburgplein 30-34, 3012 CL, Rotterdam, Netherlands | |
| JLT Asia Holdings BV | | Atrium Building, Strawinskylaan 3007, 1077 ZX Amsterdam, Netherlands | |
| JMIB Holdings BV | | Atrium Building, Strawinskylaan 3007, 1077 ZX Amsterdam, Netherlands | |
| **New Zealand** | | | |
| Alpha Consultants Limited | | Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand | |
| Client Provide Limited | 90.10 | Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand | |
| Echelon New Zealand Limited | | Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand | |
| JLT Holdings (NZ) Limited | | Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand | |
| Jardine Lloyd Thompson Limited | | Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand | |
| Wellnz Limited | 90.10 | Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand | |
| **Norway** | | | |
| JLT Norway AS | | Strandveien 13, 1366, Lysaker, Baerum, Norway | |
| **Peru** | | | |
| JLT Corredores de Reaseguros SA | 80.10 | Avda Santa Maria 110-140, oficina 202. Miraflores, Lima, Peru | |
| JLT Peru Corredores de Seguros SA | 91.62 | Av, Santo Toribio 173, San Isidro, Lima, Peru | |
| **Philippines** | | | |
| Jardine Lloyd Thompson Insurance and Reinsurance Brokers, Inc. | | 111 Paseo de Roxas Building, Legaspi Village, Makati City 1229, Philippines | |
| **Russian Federation** | | | |
| Jardine IBR Limited | | Office 226, Building 14, 39 Leningradskiy Prospect, Moscow, Russia | |
| JLT (Insurance Brokers) Limited | | Office 226, Building 14, 39 Leningradskiy Prospect, Moscow, Russia | |
| **Singapore** | | | |
| Anda Insurance Agencies Pte Ltd | | 239 Alexandra Road, Singapore 159930 | |
| Jardine Lloyd Thompson Private Limited | | 239 Alexandra Road, Singapore 159930 | |
| Jardine Lloyd Thompson Asia Pte Ltd | | 239 Alexandra Road, Singapore 159930 | |
| JLT Interactive Pte Ltd | | 239 Alexandra Road, Singapore 159930 | |
| JLTPCS Holdings Pte. Ltd | 75.00 | 239 Alexandra Road, Singapore 159930 | |
| Jardine Lloyd Thompson PCS Pte Ltd | 75.00 | 239 Alexandra Road, Singapore 159930 | |
| JLT Specialty Pte Ltd | | 239 Alexandra Road, Singapore 159930 | |
| JLT Singapore Holdings Pte Ltd | | 239 Alexandra Road, Singapore 159930 | |
| **South Africa** | | | |
| Eikos Risk Applications (Pty) Ltd | | Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa | |
| JLT Employee Benefits SA (Pty) Ltd | | Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa | |
| Jardine Lloyd Thompson (Proprietary) Limited | 63.00 | Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa | |
| JLT Benefit Solutions SA (Pty) Ltd | | Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa | |
| JLT Employee Benefits Holding Company (Pty) LTD | | Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa | |
| Jardine Lloyd Thompson South Africa IB Holding Company (Proprietary) Limited | | Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa | |

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| **Spain** | | | |
| March-JLT, Correduria de Seguros y Reaseguros, S.A. | 25.00 | Calle de Lagasca 88, Madrid, Spain | 4 |
| **Sweden** | | | |
| JLT Re (Northern Europe) AB | | Jakobsbergsgatan 7, 11144 Stockholm, Sweden | |
| JLT Risk Solutions AB | 65.00 | Jakobsbergsgatan 7, 11144 Stockholm, Sweden | |
| Lavaretus Underwriting AB | | Jakobsbergsgatan 7, 11144 Stockholm, Sweden | |
| **Switzerland** | | | |
| Jardine Lloyd Thompson PCS SA | 75.00 | Rue de Chantepoulet 1-3, 1201, Geneva, Switzerland | |
| **Taiwan** | | | |
| Jardine Lloyd Thompson Limited | | 13F, 50 Hsin Sheng S. Road, Sec 1, Taipei, Taiwan | |
| **Thailand** | | | |
| Jardine Lloyd Thompson Limited | 49.00 | The 9th Towers, 31st Floor, Rama 9 Road, Huay Khwang, Bangkok, 10310, Thailand | |
| JLT Life Assurance Brokers Limited | | The 9th Towers, 31st Floor, Rama 9 Road, Huay Khwang, Bangkok, 10310, Thailand | |
| **Turkey** | | | |
| JLT Sigorta ve Reasürans Brokerliği A.Ş. | 75.20 | Kavak Sok, Smart Plaza, No: 31/1 B Blok Kat: 4, 34805 Beykoz, Instanbul, Turkey | |
| **United Arab Emirates** | | | |
| Insure Direct (Brokers) LLC | 49.00 | Burj Al Salam , World Trade Centre Roundabout, Sheikh Zayed Road, Dubai, P.O.BOX 57006, UAE | |
| Insure Direct - Jardine Lloyd Thompson Limited | 61.30 | P.O. Box 9731, Dubai, UAE | |
| Jardine Lloyd Thompson PCS (Dubai) Limited | 75.00 | Gate Village Building 10, Dubai International Financial Centre, Dubai, PO BOX 507288, UAE | |
| **United States** | | | |
| 1763 Enterprises LLC | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| Charter Risk Management Services LLC | 35.70 | 141 Weston Street #1981, Hartford, Connecticut 06144 | |
| Construction Risk Partners LLC | 45.74 | Campus View Plaza, 1250 Route 28, Suite 201, Branchburg NJ 08876 | |
| Core Risks Ltd. LLC | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| CRP Holding Company LLC | 45.74 | Campus View Plaza, 1250 Route 28, Suite 201, Branchburg NJ 08876 | |
| GCube Insurance Services Inc | | CSC Lawyers Indorporating Service, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA95833 | |
| Isosceles Insurance Company Limited | | 148 College Street, Suite 204, Burlington, Vermont 05401 | |
| Jardine Lloyd Thompson Capital Markets Inc. | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| Jardine Lloyd Thompson Insurance Services, Inc | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| JLT Facilities, Inc. | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| JLT Aerospace (North America) Inc | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| JLT Holdings Inc | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| JLT Re Consultants Inc | | Corporation Service Company, 1201 Hays Street, Tallahassee, FL 32301 | |
| JLT Re (North America) Inc | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |

# 35. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

| Company | % Holding (if less than 100%) | Registered Office address | Notes |
|---|---|---|---|
| JLT Re Solutions Inc | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| JLT Specialty Insurance Services Inc | 91.30 | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| JLT Towner Insurance Management (USA) LLC | 70.00 | 100 Main Street, Suite 2, Barre, VT 0541 | |
| Risk and Reinsurance Solutions Corporation | | 9150 S Dadeland Blvd, Suite 1008, Miami, FL 33156 | |
| Weston Preference LLC | | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808 | |
| Worldlink Specialty Insurance Services Inc | | 22 Century Hill Drive, Suite 102, Latham, NY 12110 | |
| **Vietnam** | | | |
| Jardine Lloyd Thompson Limited | | 5th Floor, CJ Building, 6 Le Thanh Ton Street, District 1, Ho Chi Minh City, Vietnam | |
| **Virgin Islands, British** | | | |
| JIB Holdings (Pacific) Limited | | Skelton Building, Main Street, Road Town, Tortola, British Virgin Islands | |

*Notes*

*1 = Quotas;*

*2 = Preference shares;*

*3 = Ordinary and Preference shares;*

*4 = Associates as at 31 December 2017*

*Shares held in all companies are Ordinary shares unless where stated.*

*The proportion of voting rights held corresponds to the aggregate interest percentage held by the holding company and its subsidiary undertakings.*

# COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

# INCOME STATEMENT

for the year ended 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| Administrative expenses | | **(27,377)** | (9,765) |
| Other income/(expense) | | **29** | (3) |
| **Operating profit** | | **(27,348)** | (9,768) |
| Income from subsidiary | | **63,000** | 88,000 |
| **Profit on ordinary activities before interest and taxation** | | **35,652** | 78,232 |
| Finance income | a | **2,973** | 9,085 |
| Finance expense | a | **(487)** | (5,547) |
| Finance income - net | a | **2,486** | 3,538 |
| **Profit on ordinary activities before income tax** | | **38,138** | 81,770 |
| Income tax expense on ordinary activities | b | **(902)** | (5,112) |
| **Profit for the year** | | **37,236** | 76,658 |

# BALANCE SHEET

as at 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment in subsidiaries | c | **73,284** | 68,995 |
| | | **73,284** | 68,995 |
| **Current assets** | | | |
| Trade and other receivables | d | **145,788** | 387,548 |
| Cash and cash equivalents | | **662** | 561 |
| | | **146,450** | 388,109 |
| Creditors | e | **(5,686)** | (219,001) |
| **Net current assets** | | **140,764** | 169,108 |
| **Net assets** | | **214,048** | 238,103 |
| **Equity** | | | |
| Ordinary shares | | **11,008** | 11,008 |
| Share premium | | **104,111** | 104,111 |
| Merger reserve | | **9,604** | 9,604 |
| Retained earnings | | **89,325** | 113,380 |
| **Total shareholders' funds** | | **214,048** | 238,103 |

The notes on pages 173 to 175 form an integral part of these financial statements.

The financial statements on pages 171 to 175 were authorised for the issue by the Board on 28 February 2018 and were signed on its behalf by:

**Charles Rozes**
Finance Director

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

| | Ordinary shares £'000 | Share premium £'000 | Merger reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | **11,008** | **104,111** | **9,604** | **113,380** | **238,103** |
| Profit for the year | - | - | - | 37,236 | **37,236** |
| Total comprehensive income for the year | - | - | - | **37,236** | **37,236** |
| Dividends | - | - | - | (71,593) | **(71,593)** |
| Amounts in respect of share based payments: | | | | | |
| - capital contribution to subsidiaries | - | - | - | 26,804 | **26,804** |
| - shares acquired | - | - | - | (16,502) | **(16,502)** |
| **Balance at 31 December 2017** | **11,008** | **104,111** | **9,604** | **89,325** | **214,048** |

| | Ordinary shares £'000 | Share premium £'000 | Merger reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance at 1January 2016 | 11,008 | 104,074 | 9,604 | 97,319 | 222,005 |
| Profit for the year | - | - | - | 76,658 | 76,658 |
| Total comprehensive income for the year | - | - | - | 76,658 | 76,658 |
| Dividends | - | - | - | (67,962) | (67,962) |
| Issue of share capital | - | 37 | - | - | 37 |
| Amounts in respect of share based payments: | | | | | |
| - capital contribution to subsidiaries | - | - | - | 25,174 | 25,174 |
| - shares acquired | - | - | - | (17,809) | (17,809) |
| Balance at 31 December 2016 | 11,008 | 104,111 | 9,604 | 113,380 | 238,103 |

# SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2017

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

These separate entity level financial statements have been produced on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

1. IFRS 7 "Financial Instruments disclosures" as the equivalent disclosures are included in the consolidated financial statements of the Group,
2. Paragraphs 91 to 99 of IFRS 13 "Fair value measurement" in respect of disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities,
3. Paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" in respect of the requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective,
4. IAS 24 "Related party disclosures" in respect of the disclosure of related party transactions entered into between two or more members of a Group
5. IAS 7 "Statement of cash flows" in respect of the preparation of a statement of cash flow
6. The following paragraphs of IAS 1 "Presentation of financial statements":
   i. Paragraph 79(a)(iv) of IAS 1 in respect of the disclosure of the number of shares outstanding at the beginning and at the end of the period
   ii. Paragraph 10(d) in respect of the disclosure of Statement of Cash Flows
   iii. Paragraph 10(f) in respect of the Balance Sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
   iv. Paragraph 16 in respect of the statement of compliance with all IFRS,
   v. Paragraph 38A in respect of the requirement for minimum of two primary statements, including cash flow statements,
   vi. Paragraph 40A-D in respect of the requirement for a third balance sheet when an accounting policy is applied retrospectively or makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements,
   vii. Paragraph 111 in respect of cash flow information which provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows and
   viii. Paragraph 134-136 in respect of capital management disclosures.

## Consolidated financial statements

Consolidated financial statements have been prepared and are presented on pages 107 to 169. These financial statements are separate financial statements.

## Foreign currency translation

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income'.

## Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses. A list of subsidiaries is set out in note 35 on page 162.

## Trade and other receivables

Trade and other receivables includes amounts due from Group undertakings. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

## Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and include amounts due to Group undertakings. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## Income taxes

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

## Dividend income

Dividend income is recognised when the right to receive payment is established.

## Dividend distribution

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

## a. Finance income and expense

| Finance income | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Interest on amounts due from Group undertakings | **2,973** | 9,085 |

| Finance expense | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Interest on amounts due to Group undertakings | **(487)** | (5,547) |

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Finance income | **2,973** | 9,085 |
| Finance expense | **(487)** | (5,547) |
| **Finance income - net** | **2,486** | 3,538 |

## b. Income tax

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Current tax (credit)/expense:** | | |
| - UK Corporation tax on profits for the year | (4,827) | (5,729) |
| - Adjustment in respect of prior year | 5,729 | 10,841 |
| **Total income tax expense** | **902** | 5,112 |

The tax for the year is lower than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Profit before taxation** | **38,138** | 81,770 |
| Tax calculated at UK Corporation Tax rate of 19.25% (2016: 20%) | 7,342 | 16,354 |
| Adjustments in respect of prior years | 5,729 | 10,841 |
| Non taxable income | (12,169) | (22,083) |
| **Total income tax expense** | **902** | 5,112 |

The headline rate of UK corporation tax is currently 19%, this will reduce to 17% from 1 April 2020. As at 31 December 2017, the rate reduction to 17% from April 2020 has been enacted. The impact of the rate reduction to 17% has been incorporated into the income tax charge for the year ended 31 December 2017, taking into consideration when temporary differences are expected to reverse.

### c. Investment in subsidiaries

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| At 1 January | **68,995** | 68,916 |
| Increase | **4,289** | 79 |
| **At 31 December** | **73,284** | 68,995 |

Investment comprise equity shares in JIB Group Ltd and JLT Insurance Brokers Co., Limited, neither of which are publically traded.
The company owns 100% of the ordinary share capital of JIB Group Ltd (2016: 100%). JIB Group Ltd is incorporated in the UK. During the year dividends of £63,000,000 (2016: £88,000,000) were received from JIB Group Ltd.
The company owns 100% of the ordinary share capital of JLT Insurance Brokers Co., Limited incorporated in China (2016:100%).
The investment in subsidiaries increases due to the capital contributions towards the subsidiaries of the Group as a result of awards of share options made to employees on Company's shares; the increase is offset by a contribution from the subsidiaries towards the costs of purchase of the shares.

### d. Trade and other receivables

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Amounts due from Group undertakings | **142,160** | 383,018 |
| Corporation tax | **3,628** | 4,530 |
| | **145,788** | 387,548 |

Amounts due from Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

### e. Creditors

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Amounts due to Group undertakings | **-** | 213,834 |
| Dividends payable | **5,226** | 4,794 |
| Other creditors | **460** | 373 |
| | **5,686** | 219,001 |

Amounts due to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

# ADVISERS & SHAREHOLDER INFORMATION

# GROUP FIVE YEAR REVIEW

| | 2013 £'000 | 2014 £'000 | 2015 £'000 | 2016 £'000 | **2017 £'000** |
|---|---|---|---|---|---|
| Fees and commissions | 974,623 | 1,099,728 | 1,151,392 | 1,256,556 | **1,378,554** |
| Investment income | 4,529 | 4,398 | 3,689 | 4,730 | **7,474** |
| **Total revenue** | 979,152 | 1,104,126 | 1,155,081 | 1,261,286 | **1,386,028** |
| Salaries and associated expenses | (580,968) | (671,758) | (727,334) | (794,363) | **(861,189)** |
| Premises | (53,638) | (57,927) | (61,167) | (66,849) | **(70,625)** |
| Other operating costs | (157,386) | (172,426) | (163,685) | (209,518) | **(213,862)** |
| Depreciation, amortisation and impairment charges | (24,667) | (28,139) | (30,538) | (34,951) | **(36,491)** |
| **Operating profit** | 162,493 | 173,876 | 172,357 | 155,605 | **203,861** |
| Finance costs - net | (16,035) | (21,446) | (22,861) | (22,078) | **(24,349)** |
| Share of results of associates | 8,106 | 7,306 | 5,531 | 1,353 | **2,149** |
| **Profit before taxation** | 154,564 | 159,736 | 155,027 | 134,880 | **181,661** |
| Income tax expense | (41,789) | (42,072) | (41,586) | (44,018) | **(52,980)** |
| **Profit for the year** | 112,775 | 117,664 | 113,441 | 90,862 | **128,681** |
| Non-controlling interests | (10,815) | (12,373) | (10,342) | (9,396) | **(10,303)** |
| **Profit attributable to the owners of the parent** | 101,960 | 105,291 | 103,099 | 81,466 | **118,378** |
| | restated[1] | restated[1] | restated[1] | | |
| Diluted earnings per share | 46.8p | 48.7p | 48.0p | 37.8p | **54.7p** |
| Underlying diluted earnings per share | 55.0p | 57.1p | 52.2p | 51.4p | **58.5p** |
| Dividends per share | 27.2p | 28.9p | 30.6p | 32.2p | **34.0p** |

[1]The earnings per share has been restated to reflect the changes following the review of the calculation in 2016.

# ADVISERS & SHAREHOLDER INFORMATION

## SHAREHOLDER ENQUIRIES

Any shareholder with enquiries relating to their shareholding should in the first instance contact Equiniti, our registrars, using the contact details found below.

## REGISTRARS

**Equiniti**

Equiniti
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA

Telephone
(UK) 0333 207 6577
(outside the UK) +44 121 415 709

Call costs in the UK are 10p per minute. Call costs outside the UK are dependent on provider and location. Lines are open Monday – Friday 8.30am to 5.30pm (excluding UK Bank Holidays).

or visit: shareview.co.uk

## ELECTRONIC SHAREHOLDER COMMUNICATIONS

Shareholders who would prefer to view documentation electronically can elect to receive automatic notifications by email each time the company distributes documents. Registering for electronic communication can be done by updating 'My Details' in your Shareview Portfolio at shareview.co.uk.

There is no fee for using this service and you will be advised that your request has been registered. Should you wish to change your mind or request a paper version of any documents in the future, you can do this by contacting Equiniti by telephone or by post.

## DIVIDEND MANDATES

Shareholders who would like their dividends to be paid directly to a bank account can arrange to do so via their Shareview Portfolio by selecting 'Dividend Election'. For more information go to shareview.co.uk/info/directdividends or contact Equiniti.

## SHARE PRICE INFORMATION

Information on the Company's share price is available from the investor pages at jlt.com

## SHAREGIFT

If you have a small holding that is uneconomical to sell, you may wish to consider donating it to ShareGift. The Orr Mackintosh Foundation operates this charity share donation scheme. Details of the scheme are available via ShareGift at sharegift.org or by telephone: +44 (0) 20 7930 3737

## INVESTOR RELATIONS

email: Investor_relations@jltgroup.com
or visit jlt.com/contact-us

## BROKERS

**JPMorgan Securities plc**

25 Bank Street
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Tel: +44 (0) 20 7742 4000

**Barclays**

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## AUDITORS

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London SE1 2RT
Tel: +44 (0) 20 7583 5000

## FINANCIAL CALENDAR

**Financial Year End**

31 December 2017

**Ex Dividend Date**

29 March 2018

**Record Date**

3 April 2018

**Annual General Meeting**

1 May 2018

**Final Dividend Payable**

8 May 2018

**Interim Results Announced**

26 July 2018

**Interim Dividend Payable**

3 October 2018

**Q3 Interim Management Statement**

6 November 2018

(all future dates are indicative and subject to change)

## COMPANY SECRETARY AND REGISTERED OFFICE

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jlt.com

Registered Number: 01679424
London Stock Exchange
FTSE 250
Symbol: JLT
ISIN: GB0005203376

# PRINCIPAL JLT OFFICES

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For a full list of JLT's worldwide offices and JLT International Network partners, please visit our website jlt.com.

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Our website contains a dedicated investor area with latest news, results webcasts and dynamic annual report pdf. www.jlt.com/investors/annual-and-interim-reports

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CPI Colour is also a CarbonNeutral® printing company.

# CORPORATE SPONSORSHIP

As specialists, we partner with specialists who deliver winning results. This is why we are proud to partner with the Great Britain Skeleton team and professional British cycling team, JLT Condor, triple Olympic gold-medal winning cyclist Ed Clancy OBE, the UK's leading racecourses, Cricket Australia and Spruce Meadows.

## GREAT BRITAIN SKELETON

JLT has been principal partner to British Skeleton since 2012. This specialist team celebrated gold at the 2018 PyeongChang Winter Olympics as well as at the 2014 Sochi Winter Olympic Games, where Lizzy Yarnold became the first British Winter Olympian to win back-to-back Gold medals. In 2017, the squad won a further 19 medals, featured on the wider podium 44 times and recorded 88 top ten finishes across four international circuits.

## JLT CONDOR

JLT has supported the UK's longest-standing UCI Continental cycling team, JLT Condor, since 2013. In 2017, JLT Condor recorded their most successful season to date, winning the Australian Michelton Bay Series in January, the UK national Tour Series, the HSBC Spring Cup Series and the HSBC Grand Prix Series. This year the team look to build on their success by increasing their global presence by competing in races in Australia, Asia, and Northern Europe.

## ED CLANCY OBE

Three-time Olympic Gold Medallist, Bronze Medallist and five-time world champion Ed Clancy OBE, is an unrivalled specialist when it comes to cycling track racing. In 2016 Ed Clancy was not only crowned Olympic track cycling champion for the third time in a row in Rio in August, but was also awarded an OBE for his sporting achievements in the 2016 Queen's New Year Honours List. JLT is looking forward to supporting Ed in his pursuit for gold in the 2020 Olympics.

## JLT AND HORSE RACING

JLT has been a proud supporter of the UK horse racing industry and partners with renowned racecourses such as Cheltenham, Aintree, Ascot and Newbury, as well as popular jump races The JLT Novices Chase and the JLT Melling Chase. In 2017, JLT supported the 'Grand Women's Summit' at Aintree Racecourse which celebrates women in horse racing, sport and business.

## CRICKET AUSTRALIA

In 2017, JLT Australia continued with their tradition of bringing sport to the community by becoming the Official Risk Partner of Cricket Australia, and the naming rights sponsor for domestic, first-class competitions – the JLT Sheffield Shield and JLT One-Day Cup. As the official, long-standing risk partner of Cricket Australia, JLT Australia has been working tirelessly to grow cricket at the elite and grass roots level for many years.



## SPRUCE MEADOWS

For the third year running, JLT Canada was a proud sponsor of The JLT Cup, held at the Spruce Meadows 'Masters' Tournament in September 2017. Showcasing the world's best athletes in the exhilarating sport of show jumping, Spruce Meadows' 350 acre facility offers an incredible experience for fans and riders alike. Like JLT, they are committed to their vision of providing the best customer services to a global clientele and putting their Clients First.

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