

2024

Stewardship Policy



Contents

Introduction and Policy Scope	1
Approach to Stewardship	3
Engagement	4
Voting	7
Reporting and Disclosures	10
Managing Conflicts of Interest.....	11
Policy Governance	12



Introduction and Policy

Scope

Mercer Investment Solutions (“Mercer IS”)^{1 2} partners with a broad range of long-term institutional investors including pension funds, insurance companies, endowments, foundations, and other investors.

As a provider of investment solutions, Mercer IS offers clients customised guidance for investment decisions, risk management and investment monitoring services. Our purpose is to work with curiosity, care and integrity to understand our clients’ unique needs and apply our unique expertise to deliver actionable solutions to support our clients’ in delivering results that help businesses and communities thrive.

Mercer IS does not typically select securities; instead, it selects and combines specialist third party investment managers into Mercer Funds to implement day-to-day investment management tasks and for certain clients, these funds are combined into portfolios.

Mercer IS believes stewardship (or active ownership) plays an important role in managing sustainability risks and other Environmental, Social and Governance (ESG) factors, and supports the realisation of long-term value by providing investors with an opportunity to enhance the value of companies and markets. Consequently, we believe that an approach that integrates effective stewardship through engagement and voting, is in the best interests of our clients.

We believe our appointed managers are typically best placed to exercise voting rights and prioritise particular engagement topics by security, given they are expected to have detailed knowledge of both the governance and the operations of the companies and issuers they invest in. However, we recognise the pivotal role Mercer IS has in monitoring their stewardship activities and promoting more effective stewardship practices, including ensuring attention is given to more strategic themes and topics.

As such, Mercer IS aims to actively monitor appointed managers and their stewardship activities, consistent with this policy; however, application may vary depending on the degree of discretion available (which is expected to be higher in segregated mandates relative to pooled vehicles) in the strategies in which the Mercer Funds invest. We expect appointed managers in their duty to seek to create long-term value to adopt standards of good governance and stewardship through

¹ For more information on Mercer IS see the Important Notices at the end of this policy.

² This policy applies to Mercer Global Investments Europe Limited (“MGIE”) in its capacity as investment manager of the Irish domiciled funds for which Mercer Global Investments Management Limited (“MGIM”) acts as management company and reference to Mercer IS throughout should be interpreted to cover these entities.

voting and engagement practices that include a focus on sustainability risks and other material ESG factors, consistent with Mercer's Investment Philosophies.

We support industry standards of good governance and stewardship, such as the UK Stewardship Code 2020. We were included in the initial list of signatories, published in 2021 by the Financial Reporting Council (FRC) and renewed our signatory status in 2024. Our latest [Stewardship Report](#) details how Mercer IS applies the 12 Principles of the UK Stewardship Code, which encompass purpose and governance, investment approach, engagement, and exercising rights and responsibilities.

This Stewardship Policy ("policy") aligns with our Sustainability Policy, which sets out the key principles and guidelines used by Mercer IS to consider and respond to sustainability risks and opportunities in investment processes and decision-making. The purpose of this policy is to further set out the key principles underpinning Mercer IS's approach to embedding effective stewardship in its investment process, including in manager selection, monitoring and reporting.



Approach to Stewardship

Our stewardship activities are informed by **Mercer’s Investment Philosophies** which states that:

- Portfolio resilience can be enhanced by integrating financially material sustainability, transition and socio-economic risks into investment decision-making
- Capital allocation towards solutions to sustainability challenges can improve risk-adjusted returns
- Effective stewardship can improve investment outcomes

Mercer Investment Solutions Stewardship Priorities

Stewardship activities should focus on material sustainability risks, adverse sustainability impacts and other ESG issues with the aim of improving sustainability outcomes, which could enhance the value of our clients’ investments in the longer term. Through our stewardship efforts, we focus on the below key sustainability issues as we believe them to be systemic in nature and have the potential to impact investment risks and returns across the Mercer Funds.

Environmental	Social	Governance
<p>Climate change</p> <p>Climate-related financial impacts are driven by the associated transition to a low-carbon economy and the physical damages of different climate outcomes</p> <p>A well below 2C scenario is both an imperative and an opportunity.</p> <p>Biodiversity & natural capital</p> <p>Destruction of biodiversity and the natural environment is a risk to multiple sectors, as our economies are highly dependent on nature. There are direct links between the environment and financial markets together with the interrelationship between nature and climate change, where net zero emissions objectives rely on nature.</p>	<p>Human rights & labour practices</p> <p>Workforce and supply chain safety and human rights practices should avoid contributing to modern slavery, exploitation and other human rights abuses that create health and economic harms. These can have financial impacts for specific companies or sectors and contribute to broader economic instability where there are current or potential social tensions and political instability.</p>	<p>Human rights & labour practices</p> <p>Workforce and supply chain safety and human rights practices should avoid contributing to modern slavery, exploitation and other human rights abuses that create health and economic harms. These can have financial impacts for specific companies or sectors and contribute to broader economic instability where there are current or potential social tensions and political instability.</p>

Client Engagement Survey

Having an awareness of sustainability-related topics that are of importance to our clients and integrating their views where possible, is an important part of our fiduciary duty. Mercer IS seeks to collect the views of our clients across topics relating to broad sustainable investing approaches as well as to more specific sustainable themes which assists in assessing the level of alignment between our engagement priority areas and those of clients, while highlighting additional areas of focus, which are important to our clients.

Engagement

Engaging with appointed managers

A core component of our stewardship approach centres on engagements with our appointed managers. We believe our appointed managers are typically best placed to prioritise particular engagement topics by security, given most managers are expected to have detailed knowledge of both the governance and the operations of the companies and issuers they invest in and are therefore best placed to engage on topics that are most material to each security. However, we also have a role to play with a total portfolio view in identifying companies and issuers of interest, particularly in relation to systemic topics like climate change, or policy commitments we have made, for example in relation to UN Global Compact red flags.

We engage with appointed managers on their overall approach to ESG integration and stewardship, including their policy commitments, integration of ESG considerations across their investment processes and voting and engagement activities with the aim of encouraging them to improve portfolio risk and return outcomes.

Mercer's Ratings

Stewardship and active ownership form an important part of Mercer's ratings framework applied during the manager research process for the investment strategies we assess and rate. **Mercer's ratings** include an assessment of the extent to which ESG factors are incorporated in a strategy's investment process as well as the manager's approach to stewardship.

Across the majority of asset classes and particularly for the Mercer Funds, **Mercer ratings** are reviewed during quarterly monitoring by the portfolio management teams with a more comprehensive review performed annually. In our reviews, we seek evidence of positive momentum on managers' ESG integration.

Mercer's Annual Manager Engagement Survey

Our annual Manager Engagement Survey on **sustainability and stewardship** topics is a key tool used to support the assessment of managers' stewardship approaches, along with insights shared during regular reporting and our meetings with them. The survey seeks to gather information from each manager appointed in the Mercer Funds on their broad approach to stewardship as part of their investment integration, before requesting strategy level insights and examples of voting and engagement activities relating to underlying investee companies with reference to Mercer IS's stewardship priorities.

The data collected through the survey provides an important source of information for tracking and measuring our managers' stewardship efforts to assess effectiveness and to identify potential areas for improvement. These insights are used alongside Mercer's ratings and information gathered from other sources, such as manager reports and voting policies, to provide a more holistic view and highlight focus areas for engagement with managers.

Climate Engagement Priorities

As climate change is a specific stewardship priority, Mercer IS monitors and engages with managers on their approach to considering climate within their investment process and across their engagement and voting activities with underlying companies and other relevant stakeholders.

Mercer IS has also set itself a target to achieve net-zero absolute portfolio carbon emissions for its model discretionary portfolios and the majority of its multi-client, multi asset Funds by 2050³

Mercer IS recognises that active ownership, through engagement and voting activities, is a valuable tool that can be used to support the decarbonisation of portfolios and has developed a climate engagement framework to support this. The framework seeks to identify priority companies for engagement based on a number of factors including contribution to overall portfolio emissions, transition alignment and public disclosure of decarbonisation targets. Company target lists are shared with managers holding these companies, who are expected to engage with them on their decarbonisation plans and share progress with Mercer IS.

Mercer IS monitors and tracks the progress made by managers on the priority companies, which helps to identify follow-ups and potential escalation steps with managers.

Diversity, Equity and Inclusion Engagement Priorities

Diversity, Equity and Inclusion is also a specific stewardship priority for Mercer IS, within our business, across our appointed managers and within the portfolios we manage.

Mercer IS believes that diverse teams lead to better decision-making and is therefore committed to working with its appointed managers to promote stronger gender diversity across the key decision makers (KDMs) of their teams, with progress tracked over time.

Mercer IS also monitors diversity-related metrics at a portfolio level for its multi-client funds and is currently developing a diversity engagement framework that will identify priority companies for engagement via managers.

UN Global Compact Engagement Framework

Mercer screens and monitors listed portfolios for high-severity ESG-related incidences as flagged according to the UN Global Compact (“UNGC”) Principles that relate to human rights, labour, environment and corruption issues, as identified by our appointed external ESG research provider. In response to identified incidents, we will engage with the managers holding those companies and seek their views on the risk, return, reputation and remediation implications as well as engagement insights on the issue.

This framework, which is currently applied to the majority of equity and fixed income funds, further provides guidance on escalation activities, which may result in exclusion.

³ Please refer to Mercer IS’s Sustainability Policy for more detail on our approach to considering climate related risks and opportunities.

Engaging directly with underlying securities

In certain circumstances, we may engage directly with a company on a matter deemed significant. In most cases however, engagements are through our appointed managers, who are expected to engage on material sustainability risks, adverse sustainability impacts and other ESG issues with the aim of improving sustainable outcomes, long-term risk adjusted returns and the stability of financial markets. We believe engagements led by our appointed managers are most likely to be more impactful, given their ability to leverage their ownership rights across their entire holding in a security, and not only those related to the assets managed on our behalf. Managers are expected to report on these activities and outcomes through the annual Manager Engagement Survey and through our ongoing discussions with managers on priority topics.

Collaborative engagement

We and/or our underlying managers will seek to collaborate and engage with other shareholders, bondholders and other stakeholders, which may include industry associations, and with regulators and government authorities, where there may be an opportunity and ability to improve long-term investment outcomes and contribute to more sustainable and stable global financial markets. Any engagement or collaboration must be carried out in accordance with applicable law and regulation and our policy on conflicts of interest.

Mercer may also elect to participate, as appropriate, in collaborative industry engagement initiatives related to engagement priorities, or other topics that are considered aligned with the best interests of our clients. Below is a list of industry initiatives Mercer IS or Mercer Limited is a signatory to and /or active participant, some of which may include cooperation with other stakeholders.

Sustainability	Climate Change	Nature and Biodiversity
Principles for Responsible Investment (PRI)	Institutional Investors Group on Climate Change (IIGCC)	Task Force on Nature-Related Financial Disclosures (TNFD)
Investment Consultants Sustainability Working Group (ICSWG)	Task Force on Climate Related Financial Disclosures (TCFD)	Nature Action 100
UK Sustainable Investment & Finance Association (UKSIF)	Climate Action 100+	
Global Impact Investing Network (GIIN)	Transition Pathway Initiative (TPI)	
30% Club – UK & Irish Chapters	The CDP (previously Carbon Disclosure Project)	
The UK Stewardship Code		

*Representation on collaborative initiatives is shared between various teams across the broader Mercer business

Voting

Vote execution

As a shareholder of publicly listed companies, Mercer IS has the right to vote at shareholder meetings and regards voting its shares as important to its fiduciary responsibility.

As part of its investment model, proxy voting responsibility is allocated to listed equity managers with an expectation that all shares are to be voted⁴ in a timely manner and a manner deemed most likely to protect and enhance long-term value. Mercer IS evaluates each sub-investment manager's capability in ESG engagement and proxy voting, as part of the selection process to review against Mercer IS's support for good governance, integration of sustainability considerations and long-term value creation.

Mercer IS expects its investment managers to establish their own voting policy that sets out the principles and guidelines under which rights to vote are exercised. Mercer IS engages the services of a third party to facilitate the collation and reporting of proxy voting data. Mercer IS's proxy voting records are available online via the [Proxy Voting Search](#) site, where one can search by region and company over the prior six months.

We operate a Securities Lending Program for the benefit of investors for some of the Mercer Funds. Securities lending is when securities are loaned to third parties in order to earn additional investment returns. Our securities lending program is managed and implemented by an external Securities Lending Agent (SLA). The SLA has established processes to recall shares on loan for voting purposes ahead of an AGM and we expect that this will not affect our objective to vote on all shares.

Disclosure of significant votes

We have based our definition of significant votes for reporting in line with the requirements of the Shareholder Rights Directive (SRD) II on our Global Engagement Priorities. Significant votes are therefore identified as those that focus on Mercer IS's priority engagement themes, while taking into account the size of holding within funds.

⁴ There are a number of limited circumstances where voting rights may not be exercised relating to, for example, conflicts of interest, share-blocking markets, power of attorney (POA) markets etc. More detail on this is found under the section on Voting Exceptions further down.

Voting expectations linked to engagement priorities

Climate voting expectations

Mercer IS expects its investment managers to review the level of climate-related disclosures and commitments made by companies. Mercer IS expects managers to challenge the re-election of boards that have shown persistent inaction on climate change and/or climate-related disclosures and consider voting against the (re-) appointment of directors that are not supportive towards aligning their business with the climate transition.

Mercer IS further expects managers to consider voting in favour of any reasonable resolution that promotes increased climate-change related disclosures and mandates the setting of emission reduction targets and reporting (such as disclosures in line with the recommendations of the Task Force on Climate-Related Financial Disclosures).

Diversity, Equity and Inclusion voting expectations

Mercer IS believes that different backgrounds and experiences bring greater innovation, and that that can feed into the bottom line. Mercer IS expects its investment managers to review all board director (re-) appointment votes for all companies for appropriate diversity. Mercer IS recognises the challenges of defining diversity and data collection across different regions and communities. In relation to gender diversity specifically, where data is most widely available, Mercer IS requests that all votes for board directors are considered with the aim of strengthening female-identifying representation on corporate boards of management of all companies.

Mercer IS requests that managers consider voting against board (re-)appointments that do not strengthen the level of board gender diversity.

Taking a ‘Super Vote’

While proxy voting is typically carried out by investment managers which may sometimes lead to mixed votes, Mercer IS retains the right to direct a ‘Super Vote’ to override a manager’s vote on a resolution in circumstances where Mercer IS believes consistency on a significant matter is in the best interest of investors. While Mercer IS has not exercised this yet, in determining such votes, Mercer IS will consider its proxy advisor’s recommendation, the view of its investment managers and best practice guidelines and Mercer’s Engagement Priorities. Mercer IS may also conduct its own research or engage with the relevant company to inform its decision on a Super Vote, in these circumstances.

Voting Exceptions

Conflicts of interest: We assess whether appointed managers have policies and procedures that manage conflicts in relation to stewardship. Managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts policies and reported any breaches.

Power of attorney (PoA) markets: There are some international markets where voting may only be carried out by an individual attending the meeting in person. The rules on PoA vary by market, apply for different periods of time and have various cost implications. We expect appointed managers to have PoAs in place for larger markets but accept that a cost/benefit view may be

taken on smaller markets, which employ this structure meaning that there may be some smaller markets where shares may not be voted.

Share-blocking markets: There are some markets that place regulatory barriers to voting, usually in the form of limitations on trading of shares if a vote is enacted. Our expectation is that managers will vote in these markets but we accept that, on occasion, appointed managers may not cast all votes.

Securities Lending Collateral: Our stock lending program is a fully collateralised program, managed and implemented by an external SLA. Our custodian or a sub-custodian holds collateral posted by borrowers in a segregated account. We would not expect to ever take receipt of these securities, or vote on them. Collateral is therefore not governed by this policy.

Pooled Vehicles: We have some investments in pooled vehicles where the underlying investment manager, and not Mercer IS, has the legal right to vote the shares contained in the pooled vehicle. In these cases we accept that we cannot vote these shares, and will instead seek to monitor, and on occasion influence, voting by the underlying manager.



Reporting and Disclosures

Mercer IS is committed to providing clear and transparent reporting on its implementation activities.

On an annual basis, we publish our [Stewardship Report](#), which sets out how this policy has been implemented, in line with the requirements of the Shareholder Rights Directive II. This report includes highlights of our engagements with managers, results from our annual Manager Engagement survey and proxy voting activities.

Our approach to the 12 principles of the UK Stewardship Code is further set out in this report. We are committed to being a signatory of the Code and will report annually in line with the requirements of the Financial Reporting Council.

On a quarterly basis clients are provided with fund specific information relating to the voting and engagement activities of the managers in the funds they invest in.

In order to provide more information on how Mercer IS exercises proxy votes within our portfolios, we have enabled a [Proxy Voting Search](#) site, where you can search for particular proxy votes over the prior six months, which is updated every six months.



Managing Conflicts of Interest

Mercer IS does not invest in companies directly and as such this limits the potential for conflicts of interest in relation to stewardship.

Mercer IS typically delegates all vote execution and company level engagement to appointed managers and monitors their approach to voting and engagements, rather than making specific voting and engagement decisions.

Mercer IS expects its investment managers to have policies and procedures in place designed to manage their own conflicts of interest in relation to stewardship. As part of its review and appointment process, Mercer IS assesses whether its investment managers have policies and procedures designed to manage conflicts in relation to stewardship.

As part of quarterly due diligence questionnaires, managers are required to report on their conflicts of interest policy and the procedures that allow them to adhere to that policy. We will continue to monitor investment manager conflicts of interest through our quarterly due diligence questionnaire.

Our overall approach to managing conflicts of interest, takes all reasonable steps to prevent conflicts of interest from adversely affecting the interests of our clients.

Potential conflicts that could arise include holdings in relation to Mercer IS's parent company stock, Marsh McLennan companies (MMC), however this is mitigated through the delegation of all vote execution and company-level engagement to appointed managers.

Mercer IS will endeavour to prioritise topics for engagement that are in the best interests of our clients. However, given Mercer IS's broad client base, there may be cases where the nature of a client's business is in conflict with that. This would not limit Mercer IS from advocating for these engagement activities, and where these engagement activities occur, the investment team will communicate the engagement priorities to client relationship teams so they can consider the sensitivities for Mercer IS clients or prospects.

A similar approach is adopted in the case where companies, who are also clients of Mercer, are excluded across Mercer Funds given the nature of their business, based on Mercer's Exclusions Framework.

Our firm's conflicts of interest policy explains how we identify, prevent and manage actual or potential conflicts of interest, which may arise between our clients and ourselves, or between one client and another in circumstances where we are providing our products and services. For more detail please refer to our [Conflicts of Interest](#) policy.

Policy Governance

Key responsibilities for the implementation of this policy are set out in the table below.

Name of owner	Area of responsibility
Mercer Global Investments Europe Limited (MGIE) Board	Approve policy and oversee compliance against Shareholder Rights Directive II. Monitor reporting on policy implementation.
Mercer Global Investment Management Limited (MGIM) Board	Approve policy and oversee compliance against Shareholder Rights Directive II. Monitor reporting on policy implementation.
Chief Investment Officer (CIO) for MGIE	Approve policy and ensure compliance against Shareholder Rights Directive II. Oversee policy implementation by Investment Management Team and monitor reporting on policy implementation.
Sustainable Investment Solutions and Investment Management teams	Policy implementation across investment processes.
Compliance team	Ensure compliance against Shareholder Rights Directive II and monitor reporting on policy implementation.

This policy will be reviewed, updated and approved at least annually or more frequently if meaningful change is made to the stewardship approach embedded in our investment process or if relevant legislation or regulation requirements change.

Despite any provision to the contrary, management may amend this document in the following instances, provided any one member of both the Investment and Sustainable Investment Solutions teams approve the amendment: correct any grammatical, typographical or cross-referencing errors; reflect non-material changes to operational procedures or reflect any non-material changes required by law, a regulator or internal/external auditors. The CIO must approve all other amendments to this document.

Revision History

Version	Reason for amendment	Date
1	Engagement Policy first formalised in line with SRD II requirements.	Sep 2020
2	Annual update to reflect broader stewardship approach.	May 2022
3	Annual review, addition of climate engagement priorities, and climate and diversity, equity and inclusion voting expectations	Jan 2024

Availability of this Policy and Disclosure

The latest version of this Policy is publicly available [here](#).

Important Notices

© 2024 Mercer LLC. All rights reserved. References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

References to Mercer Investments Solutions or Mercer IS shall be construed to include the following entities: Mercer Global Investments Europe Limited (“MGIE”) is regulated by the Central Bank of Ireland under the European Union (Markets in Financial Instruments) Regulations 2017, as an investment firm.

Mercer Global Investments Management Limited (“MGIM”) is regulated by the Central Bank of Ireland to act as an alternative investment fund manager (“AIFM”) under Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and as a UCITS management company in accordance with Council Directive 2009/65/EC (as amended).

MGIM acts as AIFM and UCITS Management Company to a number of Irish domiciled AIFs and UCITS, collectively referred to the “Mercer Funds”. MGIE has been appointed as Investment Manager to the Mercer Funds.

Certain regulated services may also be provided by Mercer Limited. Mercer Limited is authorized and regulated by the Financial Conduct Authority. Registered in England and Wales No. 984275. Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU.

This document contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer’s prior written permission. The document is for professional investors only. The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Mercer’s ratings do not constitute individualized investment advice.

Past performance may not be a reliable guide to future performance. Past experience nor the current situation are necessarily accurate guides to the future growth in value or rate of return. The value of your investments and any income from it may fall as well as rise and you may receive back less than the amount invested. There is also a currency risk involved in investing in assets which are in a foreign currency.

Changes in exchange rates may have an adverse effect on the value price or income of the product. The levels and basis of, and relief from, taxation can change. Where the information refers to a particular tax treatment, such tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Mercer does not give advice on tax related matters. Please consult your own tax adviser. For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative. Any forecasts made are not a reliable indicator of future performance.

This material does not constitute advice or an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend. No investment decision should be made based on this information without first obtaining appropriate professional advice and considering your circumstances.

For policy on conflicts of interest and other corporate policies, please see <https://investment-solutions.mercer.com/global/all/en/investment-solutions-home/corporate-policies.html>. All data as at dates specified and source is Mercer unless otherwise stated. This document may contain information on other investment management firms. Such information may have been obtained from those investment management firms and other sources. Mercer research documents and opinions on investment products (including product ratings) are based on information that has been obtained from the investment management firms and other sources. Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.



welcome to
brighter

© 2024 Mercer LLC. All rights reserved.

A business of Marsh McLennan