

# Shareholder Rights Directive II Statement of Compliance

## – Engagement Policy Implementation

**Mercer Investment Solutions Europe**

March 2021



# 01/ Introduction

Mercer Investment Solutions Europe (“Mercer ISE”) services long-term institutional investors and is a ‘universal owner’ - for these reasons Mercer ISE regards investment governance and active ownership to be of particular importance in serving the interests of our investors.

Mercer ISE believes stewardship (or active ownership) helps the realisation of long-term value by providing investors with an opportunity to enhance the value of companies and markets in a manner consistent with long-term investor timeframes. Mercer ISE is committed to industry standards of good governance and stewardship and sets out its approach to the obligations applicable to it in its [Engagement Policy](#) and [Sustainability Policy](#).

This statement highlights how Mercer ISE has implemented its Engagement Policy in line with the requirements of the Shareholder Rights Directive II over the period 1 January 2020 – 31 December 2020.



## Approach to voting and engagement activities

Mercer ISE has delegated day-to-day investment management to third party asset managers (“sub-investment managers”). Therefore, Mercer ISE does not invest directly in securities but engages sub-investment managers to do so on its behalf, under a contract of appointment. Mercer ISE expects its appointed sub-investment managers to adopt standards of good governance and stewardship through voting and engagement practices that include a focus on sustainability risks and other material Environmental, Social and Governance (ESG) themes and topics.

As a shareholder of publicly listed companies, Mercer ISE has the right to vote at shareholder meetings. Mercer ISE regards voting its shares as important to its fiduciary responsibility. As part of its outsourced investment model, Mercer ISE outsources proxy voting responsibility to its listed equity sub-investment managers and expects all shares to be voted in a manner deemed most likely to protect and enhance long term value.

In most instances, corporate engagement implementation is delegated to the appointed sub-investment investment managers, as Mercer ISE believes appointed sub-investment managers are typically best placed to prioritise particular engagement topics by security. Sub-investment managers are encouraged to engage with portfolio companies on material sustainability risks and other ESG issues with the aim of improving long-term risk adjusted returns and the stability of financial markets.

Mercer may also elect to participate, as appropriate, in collaborative industry engagement initiatives related to the identified engagement priorities, or other topics that are considered aligned with the best interests of investors. In certain albeit limited circumstances, Mercer may engage directly with a company on a matter deemed significant.

## Use of proxy advisors

Mercer ISE accepts that sub-investment managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled sub-investment managers to vote based on their own proxy-voting execution policy. As Mercer ISE does not vote shares directly, it does not use the services of a proxy voting advisor. Mercer ISE does however monitor the use of proxy voting advisors by sub-investment managers. More detail on the use of proxy voting advisors is included in the [Annual Voting and Engagement report](#).



## Conflicts of interest

Mercer ISE does not invest in companies directly, which limits the potential for conflicts of interest in relationship to stewardship. Execution of voting rights and responsibilities and engagements are delegated to sub-investment managers as laid out in investment management agreements and investment guidelines. Mercer ISE expects its sub-investment managers to have policies and procedures in place designed to manage their own conflicts of interest in relation to stewardship, which is assessed as part of the manager selection process. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches in Mercer ISE's quarterly compliance due diligence questionnaire.

## Disclosure of voting and engagement activities

Mercer ISE expects its appointed sub-investment managers to monitor investee companies and to report on stewardship (voting and engagement) activities and outcomes in line with established best practice. Mercer ISE also monitors stewardship explicitly, using its third party provider of proxy voting reporting and seeking disclosure from sub-investment managers, including through its annual manager engagement survey.

Mercer ISE produces an [Annual Voting and Engagement report](#) that provides insights to investors on the general voting and engagement behavior and activity of sub-investment managers. Additional voting and engagement information at a fund specific level is available to clients as part of regular reporting.

Mercer ISE has also prepared its [UK Stewardship Code Statement](#), which provides detail on Mercer ISE's overarching approach to Stewardship in line with the 12 principles of the UK Stewardship Code.

## Public disclosure of voting records

In order to provide more information on how Mercer ISE exercises its proxy votes within its portfolios, a [Proxy Voting Search](#) site has been established, which provides information on all resolutions voted on, on behalf of Mercer ISE by sub-investment managers.

## Disclosure of significant votes

As Mercer ISE outsources its voting activities to managers, disclosure of significant votes by underlying managers may differ based on definitions used by managers. While Mercer ISE monitors the disclosures of significant votes by underlying managers, it has further supplemented its approach based on its own definition. Mercer ISE has based its definition of significant votes on its [Engagement Priorities](#), based on its Beliefs, Materiality and Impact (BMI) Framework. In order to monitor and report on managers voting activities, significant votes highlight shareholder proposals with specific focus on defined engagement priority areas, while taking into account top holdings across funds. This disclosure is included in the [Annual Voting and Engagement report](#).



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