Mercer

Sustainability Policy

Mercer Investment Solutions Europe

August 2022

welcome to brighter

Table of Contents

Introduction and Policy Scope

Mercer Investment Solutions in Europe (Mercer ISE)[1,2] partners with long-term institutional investors, including pension funds, insurance companies, endowments, foundations, and other investors. Mercer ISE does not typically directly select securities; instead, it selects and combines specialist third party sub-investment managers (managers) into segregated mandates within Mercer Funds[3] to implement the day-to-day investment management tasks. Mercer ISE may also invest in pooled vehicles. For the majority of clients, these segregated and pooled arrangements are combined into Mercer Funds and for certain clients, these funds are combined into portfolios.

While the principles contained in this policy are broadly applied, the level of application may vary, particularly in cases where clients have a desire to implement their individual preferences. Application may also vary depending on the degree of discretion available in the arrangements, which is expected to be higher in segregated mandates relative to pooled vehicles and the degree of relevance given the asset class.

Appointed segregated managers are required to comply with the policy, which is referenced in the Investment Management Agreements (IMA) with each manager. Mercer ISE will actively monitor appointed managers on ESG integration, consistent with this policy, to encourage the consideration of sustainability risks and opportunities and other Environmental, Social and Corporate Governance (ESG) factors, within appointed managers' investment decision making.

This Sustainability Policy (the policy) sets out the key principles and approaches used by Mercer ISE to address sustainability risks and opportunities and consider other sustainability and ESG factors in decision-making across the investment process, namely through:

- **Our Beliefs**
- **Consideration of Sustainability Risks**
- **Climate Change**
- **Stewardship (Voting and Engagement)**
- **Sustainability Themes**
- **Exclusions**
- **Policy Implementation and Governance**

The policy sets out how Mercer ISE implements its sustainability principles into investment decision-making including through manager selection, portfolio management and investment advice. The policy further references internal processes and regulatory compliance documentation, and where public disclosure is required, these are available on Mercer ISE's dedicated sustainability website.

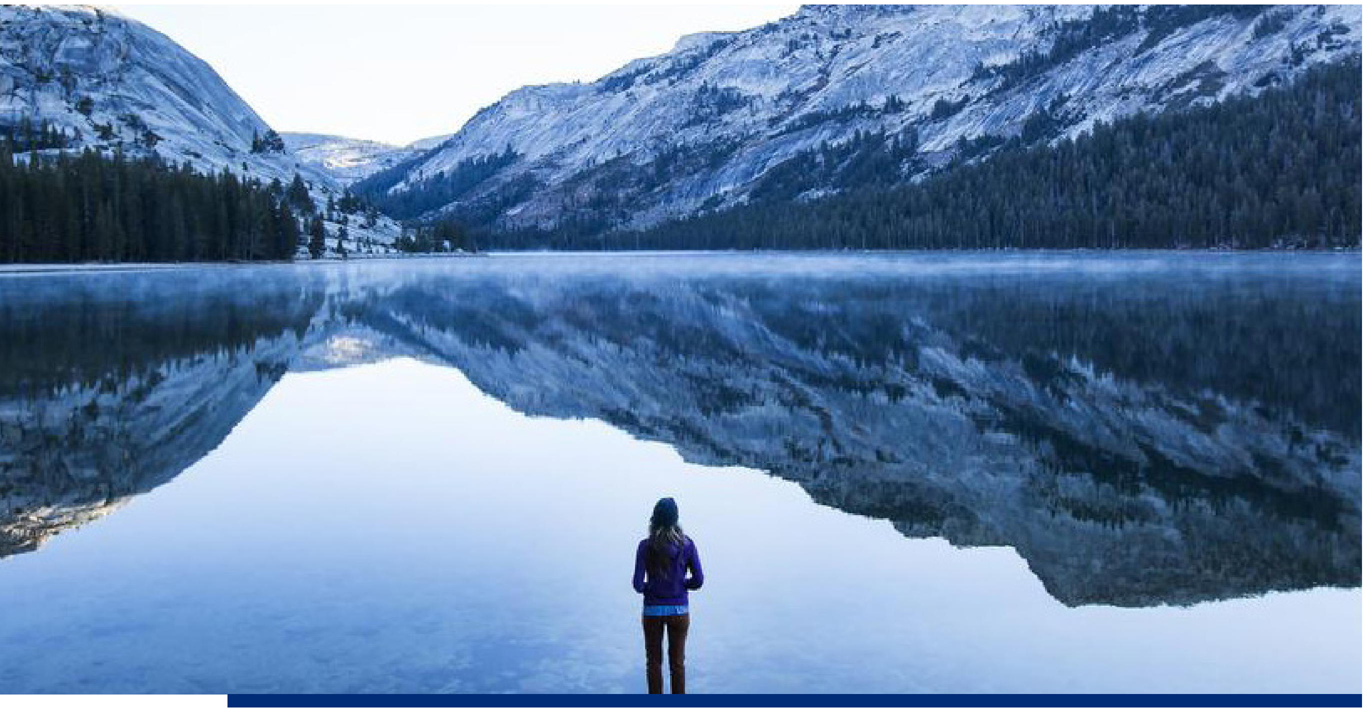
The policy should be read in conjunction with Mercer ISE's Principle Adverse Impacts (PAI) statement, which sets out how Mercer ISE assesses the potential adverse impacts of its investment decisions on sustainability factors, as well as Mercer ISE's Stewardship Policy, which provides further detail on Mercer ISE's beliefs and approach to active ownership.

1 For full information on Mercer ISE see the Important Information document.
2 This policy also equally applies to Mercer Global Investments Europe Limited and Mercer Global Investments Management Limited and reference to Mercer ISE throughout should also be interpreted to cover these entities. Notwithstanding the foregoing, certain terms of this policy may not be applicable to Mercer Global Investments Management Limited given its current structure.
3 "Mercer Funds" are any collective investment scheme, including investment companies, common contractual funds, unit trusts and limited partnerships, for which Mercer Global Investments Europe Limited or any affiliate serves as discretionary investment manager. This includes the Mercer Ireland domiciled UCITS and AIFs for which Mercer Global Investments Management Limited acts as Management Company or Alternative Investment Fund Manager respectively. For further information, please see the "Important Notices" section of this policy.

01.

Our Beliefs

Our Beliefs



Mercer believes integrating sustainability considerations into its investment approach is more likely to create and preserve long-term investment capital and, more specifically, that:

1. **Sustainability and ESG factors** can have a material impact on long-term risk and return outcomes and should be integrated into the investment process.

2. **Climate change poses a systemic risk,** and investors should consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes.

3. **Stewardship** helps the realisation of long-term shareholder value by providing investors with an opportunity to enhance the value of companies and markets.

4. **Taking a broader and longer-term perspective on risk,** including identifying sustainability themes and trends, is likely to lead to improved risk management and new investment opportunities.

Consequently, Mercer ISE believes that an approach that considers these risks and opportunities is in the best interests of our clients.

02.

Consideration of Sustainability Risks

Consideration of Sustainability Risks

Mercer ISE expects appointed managers to assess and reflect sustainability risks and opportunities in security or asset selection and portfolio construction, while acknowledging that the degree of relevance or materiality varies between asset classes. Examples of ESG factors that may lead to sustainability risks are shown below:

Figure 1. ESG Factors

Environmental	Social	Corporate Governance
• Climate change • Water • Waste and pollution • Biodiversity	• Labour standards and modern slavery (including the supply chain) • Human rights and community impacts • Health and safety • Social inequality • Demographics/consumption	• Board diversity, composition, independence and effectiveness • Executive remuneration • Conduct, culture and ethics • Shareholder rights

Mercer ISE evaluates the sustainability policies, capabilities and practices for potential and appointed managers, where relevant, as part of the manager selection and monitoring process by drawing on Mercer's ESG Ratings and associated commentary from the Mercer Manager Research team,. This includes a qualitative assessment of appointed managers' approaches to considering sustainability risks within their investment process as well as assessing the impact of portfolio ESG factors on the risk/return profile of underlying holdings and overall investment strategy. Please refer to Appendix for further detail on Mercer's ESG ratings.

Expectations for appointed managers are set as ESG3 or above, where practicable and relevant to the strategy (with ESG1 being the highest rating and ESG4 being the lowest). Comparisons are also made with the appropriate universe of strategies in Mercer's Global Investment Management Database (GIMD) to provide a relative position to similar strategies. ESG Ratings of Mercer Funds are reviewed regularly, and at least quarterly at Investment Risk Management Committee meetings, with reviews seeking evidence of positive momentum on ESG integration and consideration of sustainability risks.

To inform the selection process of managers for multi-client Mercer Funds, Investment Committee proposals include a section dedicated to the assessment of a strategy's integration of sustainability risks and ESG factors. This is used by portfolio managers and committee members to assess the strengths and weaknesses of a strategy's incorporation of sustainability considerations, as a part of the broader decision process when appointing a manager.

Mercer ISE works closely with appointed managers to improve their ESG integration practices and consideration of sustainability risks, where relevant. As part of its monitoring and oversight process, Mercer ISE uses third party data to evaluate the quality of manager portfolios using a sustainability lens, by assessing aggregate security exposure to and the management of certain ESG factors, which may include those listed in Figure 1. More detail on the specific metrics used to monitor these ESG factors can be found in Mercer ISE's entity level Principle Adverse Impact Statement

Where Mercer ISE designs discretionary[4] portfolios, relevant Investment Committees consider sustainability risks and the implementation of ESG considerations in annual reviews of the strategic asset allocation. The committees review Mercer ESG ratings and assess the impact of climate change and climate transition on asset allocations by using scenario analysis and stress testing using Mercer's transition analytics tools (described later in the "Climate Change" section of this policy) to guide investment decision making.

As part of the investment monitoring process, ESG data is analysed at a manager, fund and overall portfolio level, where relevant, using ESG data from different data providers. Monitoring occurs to evaluate the impact of investment decisions on the sustainability characteristics with ongoing efforts made to refine processes, enhance analysis and align with market best practice and regulatory guidance. More detail on the specific metrics used to monitor sustainability factors can be found in Mercer ISE's entity level Principle Adverse Impact Statement.

Mercer ISE also uses third-party ESG research to monitor portfolios across areas including:

- Companies with potentially high severity ESG-related risks, as flagged according to the UN Global Compact (UNGC) Principles, which relate to human rights, labour, environmental and corruption issues. Further detail is provided in the Engagement section below.
- Diversity metrics, such as the percentage of women on boards, which is consistent with Mercer's belief that diversity in all its forms matters and that diverse decision-making teams with shared values, are more likely to outperform.

This view on diversity also applies to appointed managers, where relevant, where Mercer includes diversity metrics as a factor within monitoring processes, including through relevant questions in the annual manager engagement survey and within review meetings with managers.

As part of our commitment to promoting diversity, Mercer ISE is currently finalising its signatory status of the UK Chapter of the 30% Club.

Relevant sustainability-related metrics are reported to clients as part of the regular reporting process. Sustainability-related metrics may also be provided in external marketing materials to reflect where sustainability and ESG factors are considered. The depth of reporting provided is likely to vary across asset classes and be dependent on the level of detail required by clients. Reported information covers a wide range of sustainability-related data including, but not limited to, Mercer ESG ratings, third party ESG ratings, climate-related metrics, exclusions compliance, controversies exposure, and alignment to UN Sustainable Development Goals (SDGs).

4 Discretionary portfolios are portfolios where Mercer ISE is responsible for the management of the underlying assets, in relation to asset allocation and fund and manager selection decisions.

03.

Climate Change

Climate Change

Mercer ISE believes climate change poses a systemic risk and recognises that limiting global average temperature increases this century to "well below two degrees Celsius", as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors.

Mercer ISE supports this end goal and increasingly seeks to align portfolios with this goal where this is also consistent with meeting stated investment objectives. This is demonstrated by Mercer ISE's commitment to achieve net-zero absolute carbon emissions by 2050 for UK and European clients with discretionary portfolios and for the majority of its multi-client, multi-asset Mercer funds domiciled in Ireland. To achieve this, Mercer ISE plans to reduce portfolio relative carbon emissions by at least 45% from 2019 baseline levels by 2030. This decision was supported by insights gained from Mercer's Investing in a Time of Climate Change (2015 and 2019) reports, Mercer's Analytics for Climate Transition (ACT) tool and advice framework, and through undertaking climate scenario analysis and stress testing modelling of Mercer ISE's diversified portfolios, asset classes and sectors.

Mercer's approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), with Mercer ISE's inaugural Climate Change Management report, highlighting Mercer ISE's approach to the TCFD framework in more detail, including example analysis on strategy and targets and metrics.

In summary, Mercer ISE takes the following approach to the TCFD's four elements for managing climate-related financial risks:

- **Governance:** Nominated members of the management team have oversight of Mercer ISE's approach to climate-related risks and opportunities, with support provided by the ESG investment and portfolio management teams and Mercer's specialist Sustainable Investment (SI) team. The board oversees Mercer ISE's approach through annual reporting from management to the board.
- **Strategy:** Climate-related scenario analysis is undertaken as part of strategy reviews on discretionary portfolios. Portfolio construction across asset classes considers climate-related risks and opportunities under different climate scenarios, with climate transition analysis providing further insight.
- **Risk management:** Consideration is given to risk-reduction strategies and to decarbonising portfolios, including for passively managed index exposures, together with identifying low-carbon opportunities and adding exposure to actively managed strategies, which either promote environmental characteristics or target environmental objectives. In addition, Mercer ISE participates in industry-wide engagements, where appropriate, and expects managers to engage positively on climate-related financial issues.
- **Targets/metrics:** Metrics, such as carbon footprint analysis and forward looking transition metrics, are assessed to review climate risks relative to benchmark and to engage with managers on the results.

Mercer ISE recognises that the risks and opportunities arising from climate change are diverse and continuously evolving along with the availability of data and tools to support enhanced consideration of and management of climate change risks across portfolios.

Mercer believes the financial impacts of climate change risks are driven by two key sources, namely:

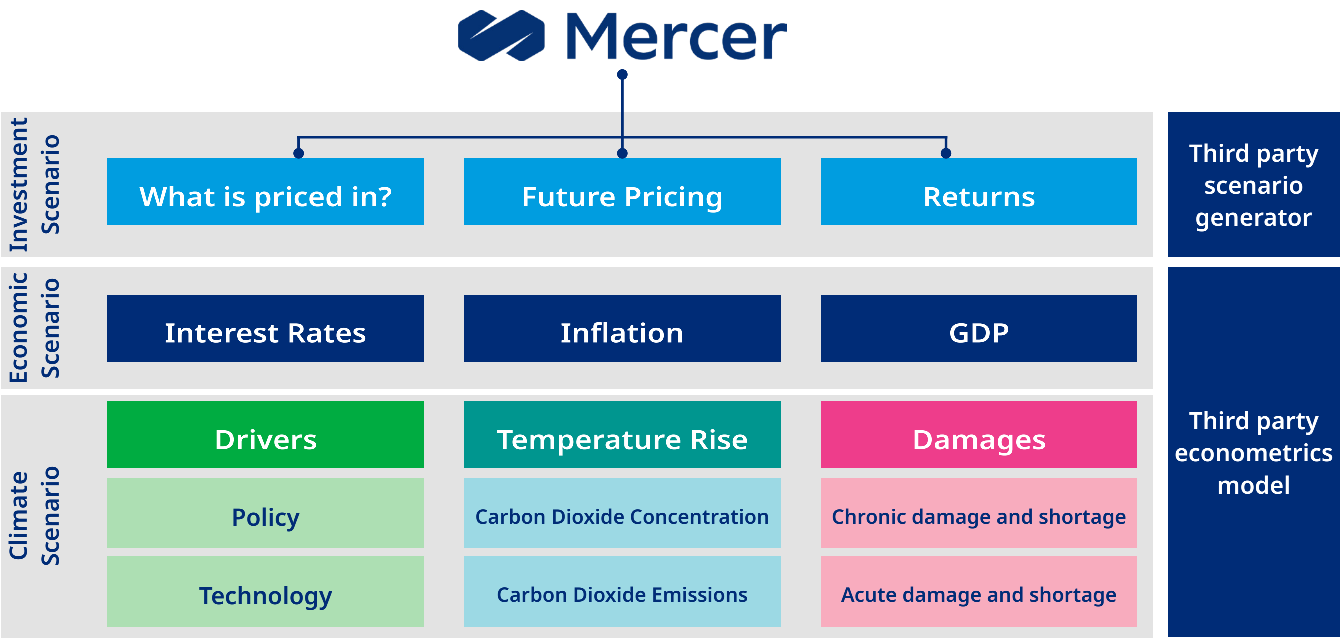
- The physical damages expected from an increase in average global temperatures, which include: availability of natural resources (including biodiversity); chronic damages (including productivity) and acute damages (including catastrophes) risk factors
- The associated transition to a low-carbon economy, which include: technology and policy risk factors.

Climate Scenario Modelling

Investment scenarios are developed by building a model on top of the economic impacts of different climate scenarios. Each climate scenario covers a specific level of warming driven by greenhouse gas levels. These levels are determined by policies enacted and technological developments. The impact of the warming comes through in the physical damages resulting from an increase in average global temperatures, which include: availability of natural resources (including biodiversity); chronic damages (including productivity) and acute damages (including catastrophes) risk factors

An econometrics model maps this to economic impacts and a scenario generator maps these to return impacts by making assumptions on what is priced in currently and how future pricing shocks will occur. The scenarios, as used by Mercer, include Mercer's own intellectual capital on what is priced in and are built on Mercer's climate aware capital market assumptions.

Figure 2. Mercer's Climate Scenario Construction Model



In addition to climate scenario modelling, Mercer's Analytics for Climate Transition (ACT) tool allows for the assessment of climate-related metrics, such as carbon footprint analysis and forward looking transition metrics, to assess the transition capacity of Mercer Funds.

Climate Transition Analysis

Mercer has developed an Analytics for Climate Transition (ACT) tool, which provides a 'bottom up' company level perspective across asset classes on a 'well below 2˚C' or transition scenario.

ACT is helping to identify where the highest carbon intensity risks lie, including the potential for stranded asset risk in the dark grey[5] companies, and where emissions reductions can best be achieved by portfolio weight to still deliver on investment objectives. This company level analysis is helping to compare different portfolios and benchmarks within asset classes and compare asset class impacts to ensure Mercer's transition pathway adopts a thorough risk management approach to an economy wide and portfolio wide transition.

Figure 3. Mercer's Analytics for Climate Transition (ACT) Overview.

Mercer ISE is currently updating its scenario analysis based on its enhanced approach, the results of which will be included in an updated Climate Change Management Report, and publically disclosed.

Mercer ISE considers the potential financial impacts of climate change within manager selection and monitoring processes, as well as portfolio construction, where relevant.

Potential financial impacts are also considered at a client portfolio level where Mercer ISE has discretion over the asset allocation.

At the manager level, Mercer ISE's expectation is that climate change risk assessments are integrated, where relevant, within the approach to considering sustainability risks and opportunities and within stewardship activities, as well as being an integral and well-defined part of the process for funds promoting sustainability characteristics and targeting sustainability objectives and outcomes. Disclosure consistent with the TCFD recommendations is also encouraged for appointed managers.

5 The investments identified as dark grey are those assets at greatest risk of stranding (i.e., high carbon intensity and low transition potential). This assessment includes company's transition measures and commitments already announced.

04.

Stewardship – Engagement and Voting

Stewardship – Engagement and Voting

Mercer ISE believes stewardship (or active ownership) plays an important role in managing sustainability risks and other ESG factors, and 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. We are committed to industry standards of good governance and stewardship, such as the UK Stewardship Code 2020, to which Mercer ISE is a signatory. Mercer ISE was included in the initial signatories, published in 2021 by the Financial Reporting Council (FRC), with its Stewardship Code Statement made public at the same time.

Mercer ISE's Stewardship Policy ("the Stewardship Policy") outlines the key principles and Mercer ISE's approach to embedding effective stewardship in our investment process, including in manager selection, monitoring and reporting. A summary of the key principles is provided below.

Engagement

Mercer ISE believes its appointed managers are typically best placed to 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 and are therefore best placed to engage on topics that are most material to each security. However, Mercer ISE recognises the pivotal role it has in monitoring their stewardship activities and promoting more effective stewardship practices, including ensuring attention is given to more strategic themes and topics.

Our stewardship activities are informed by Mercer's Global Engagement Framework, which considers three main criteria - Beliefs, Materiality and Influence (BMI). Engagement priorities are expected to intersect meaningfully across these criteria, which has helped to develop a systematic approach and key principles for considering themes and topics and agreeing portfolio-wide engagement priorities.

Figure 4: Mercer Investment Solutions Global Engagement Priorities

E	**Climate Change** Climate-related financial impacts are driven by the associated transition to a low-carbon economy and the physical damages of different climate outcomes – A well below 2C scenario is both an imperative and an opportunity
S	**Human rights & labour practices** Workforce and supply chain safety and human rights practices should avoid contributing to modern slavery, exploitation and other human rights abuses – these can contribute to economic instability, the threat of social tension and subsequent political instability; and negatively impact beneficiaries for economic and health reasons
G	**Diversity, Equity & Inclusion** Including cognitive and identity diversity in decision-making processes is expected to create better outcomes and solutions

While the above highlights our current key engagement priority areas, additional areas of focus, some of which are increasingly moving up the engagement agenda, relate to pollution and natural resource degradation (including biodiversity and natural capital), health and addictive products, aligned remuneration and incentives and transparent disclosure of material ESG factors. Engagements should focus on material sustainability risks, adverse sustainability impacts and other ESG issues, with the aim of improving long-term risk adjusted returns and the stability of financial markets.

A core component of our stewardship approach centres on engagements with our appointed managers. Where relevant, portfolio managers 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 related to portfolio holdings. Managers are expected to engage with portfolio holdings, where relevant, on material sustainability risks, adverse sustainability impacts and other ESG issues with the aim of improving long-term risk adjusted returns and the stability of financial markets. Mercer's ESG Ratings and the annual Mercer ISE Manager Engagement Survey provide useful insights into managers' approaches to stewardship, with Manager Engagement Dashboards and Trackers used to identify goal-orientated engagement priorities and monitor engagement activities and outcomes and where escalations may be required. Please refer to the Stewardship Policy for more detail.

Mercer ISE screens and monitors listed portfolios for high-severity ESG-related risks 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 owning those securities and seek their views on the risk, return and reputation implications as well as engagement insights on the issue. Mercer ISE has developed a UNGC Engagement Framework, which details Mercer ISE's approach to monitoring, engagement and escalation. Please refer to the Stewardship Policy for more detail.

Mercer ISE will seek to collaborate and engage with other shareholders, bondholders and other stakeholders, which may include industry associations, where we believe we have the opportunity and ability to improve long-term investment outcomes and contribute to more sustainable and stable global financial markets. Mercer ISE may also engage with regulators, governments and other policy makers, to recommend changes or express views on regulatory regimes or policy positions where this is deemed important to protect the rights, or enhance the interests, of its clients. A list of initiatives where Mercer is currently a supporter or signatory is provided in the Stewardship Policy.

Mercer ISE 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.

While we have yet to utilise this approach, we may in future engage directly with a company on a matter deemed significant.

Voting

As a shareholder of publicly listed companies, Mercer ISE 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 given to listed equity managers with an expectation that all shares are to be voted[6] in a timely manner and a manner deemed most likely to protect and enhance long-term value. Mercer ISE carefully evaluates each manager's capability in ESG engagement and proxy voting, as part of the selection process to ensure it is representing Mercer ISE's commitment to good governance, integration of sustainability considerations and long-term value creation.

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

Taking a 'Super Vote'

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

Disclosure of significant votes

We have based our definition of significant votes for reporting in line with the requirements of the EU Shareholder Rights Directive II on our Global Engagement Priorities, supported by our BMI Framework. Significant votes focus on shareholder resolutions relating to priority engagement themes, while taking into account the size of holding across funds. Managers also provide disclosure on votes they deem to be significant, based on their definition, via the annual Manager Engagement Survey.

6 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. Please refer to the Stewardship Policy for Voting Exceptions

Reporting and disclosures

Mercer ISE expects its appointed managers to report on stewardship activities and outcomes in line with established best practice, including aligning their reporting with the requirements of the EU Shareholder Rights Directive II and the UK Stewardship Code, where possible.

Mercer ISE is committed to providing clear and transparent reporting on its stewardship activities including through the following:

- On an annual basis, we publish our Stewardship Report, which sets out how the Stewardship Policy has been implemented, in line with the requirements of the EU Shareholder Rights Directive II. This report includes highlights of 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 set out in our UK Stewardship Code 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 able to receive fund specific information relating to the voting and engagement activities of the managers in the funds they invest in.

05.

Sustainability Themes

Sustainability Themes

Mercer sees rapid developments underway in how investors approach sustainability. Most notably, regulatory initiatives redefine sustainable investment in key global jurisdictions today and the importance of the United Nations Sustainable Development Goals (SDGs). The SDGs signpost interconnected global challenges across social and environmental issues and related investment themes.

Mercer ISE believes that including exposure to managers that identify longer-term environmental and social themes and the companies delivering solutions, is likely to lead to improved risk management and discovery of new investment opportunities. In addition to specific allocations to products which promote environmental and social characteristics and target sustainable investment objectives, allocations can include a broader sustainability lens by tilting portfolio profiles toward recognition of sustainability risks. Our selection and monitoring processes for potential and appointed managers consider exposures and themes in portfolio construction decisions.

Mercer supports the SDGs and recognises the need for investment towards achieving these goals by 2030. Theme alignment and measurement tools continue to improve and our work plan commits to evolve our approach to reporting across the full range of activities and funds, including the recognition of adverse sustainability impacts at product level. For individual Mercer Funds and portfolio solution pre-contractual information and sustainability risk integration details please visit our dedicated sustainability website.

06.

Exclusions

Exclusions

As an overarching principle, Mercer ISE is committed to investing responsibly and prefers an integration and engagement-based approach. There are, however, limited instances in which exclusions may be considered necessary.

Exclusions should be a last resort as, once divested, Mercer ISE loses its ownership rights and thereby the ability to influence the future behaviour of companies and issuers. Even where an exclusion may be considered necessary, Mercer ISE will seek opportunities to use its influence to address the underlying issue of concern with companies and issuers, regulators and other standard setters, such as stock exchanges or industry groups, to the extent that ongoing engagement on the issue is aligned with the best interest of clients.

The reasons to exclude certain securities are likely to be a combination of factors that make continuing to include exposure to the securities in the investment universe untenable. These factors include, but are not limited to, investment beliefs, risk management, expected social impact, public policy, societal norms, investor expectations, efficacy of other responsible investment approaches such as engagement, ability to influence, and expected impact on portfolio returns.

When considering exclusions, Mercer ISE has developed an Investment Exclusions Framework where multiple risk, return and reputation criteria are considered.

The key components of the Investment Exclusions Framework include an assessment using the following exclusion criteria:

Legal/Public Policy Test

Whether local policy position or legislation commitments require the topic being tested to be prohibited or support aims to severely curtail or make obsolete in the foreseeable future.

Fiduciary Test

Whether the exclusion will have a positive/immaterial/negative impact on risk-adjusted returns, consistent with fiduciary obligations.

Engagement Efficacy Test

Whether other responsible/sustainability approaches, such as company engagement, are likely to have efficacy in addressing the topic being tested and are therefore an alternative.

Social/Environmental 'Do No Harm' Test

Whether the topic being tested causes substantial and irreparable harm to society or the environment.

Client/Customer Test

Whether the exclusion is likely to align with how the majority of our clients, current and prospective, would expect Mercer to act on their behalf, and therefore any exclusion decision wouldn't impact our ability to deliver scale benefits to clients and members.

In evaluating any potential exclusion against the above criteria, Mercer ISE considers the response to each question individually and the response to the exclusion criteria in total.

Exclusion Implementation

Mercer ISE relies on a third party provider of ESG Research in determining the individual companies to be excluded based on the decisions made under the above criteria. In certain circumstances, Mercer ISE may apply different criteria, appropriate for a specific fund, which will be included in the offering documents.

Mercer ISE will apply the Investment Exclusions Framework to its direct investments through its Investment Management Agreements (IMAs) with its appointed managers. Where Mercer ISE is invested in a fund in which its assets are pooled with those of others, it may not be able to mandate these exclusions.

In selecting managers, Mercer ISE will consider the manager's ability to implement any approved exclusions. Compliance with the exclusions will be monitored and forms part of the IMAs with appointed managers. From time to time, a manager of an underlying pooled fund may exclude the product, activity or industry using a definition that is different to Mercer ISE's definition. This is acceptable provided there is broad consistency with the Mercer ISE definition.

Current Exclusions

The following exclusions are currently applied across Mercer ISE's actively managed multi-client equity and fixed income Mercer Funds, and selectively for some passively managed multi-client equity Mercer Funds[7] as a result of decisions supported by Mercer's Investment Exclusions Framework that considers multiple risk, return and reputation criteria:

- **Controversial Weapons:** Companies that manufacture whole weapons systems, or delivery platforms or components that were developed or are significantly modified for exclusive use in cluster munitions, anti-personnel landmines, biological, chemical or nuclear weapons and companies providing auxiliary services to nuclear weapons, as well as companies involved in the production and retailing of automatic and semi-automatic civilian firearms and ammunition.
- **Tobacco companies:** Companies involved in the manufacture and/or production of tobacco products (regardless of revenue), including subsidiaries and joint ventures, as well as any other company that derives 50% or more of revenue from other tobacco related business activities such as packaging, distribution and retail of tobacco products.

For Mercer ISE's passively managed multi-client equity and fixed income Mercer Funds, the following exclusions are applied with a minimal tracking error:

- **Controversial Weapons:** Companies that manufacture whole weapons systems, or delivery platforms or components, that were developed or are significantly modified for exclusive use in cluster munitions, anti-personnel landmines and biological and chemical weapons, as well as companies involved in the production and retailing of automatic and semi-automatic civilian firearms and ammunition.

Mercer ISE is currently reviewing its approach to exclusions across passive funds, with the view to aligning these exclusions to those applied to active funds.

Mercer ISE also manages a number of funds that promote environmental and/or social characteristics or target a sustainability objective. These funds have additional exclusions designed to align with product characteristics and objectives. Please see relevant product disclosures on our dedicated sustainability website for further information.

7 Mercer Passive Fundamental Global Indexation Global Equity Feeder Fund, Mercer Passive Fundamental Indexation Global Equity UCITS CCF, Mercer Passive Sustainable Global Equity Feeder Fund and Mercer Passive Sustainable Global Equity UCITS CCF.

07.

Policy Implementation and Governance

Policy Implementation and Governance

Responsibility for continued compliance with this policy extends across many areas of the Mercer ISE business, with all employees expected to support Mercer ISE in undertaking its activities in a responsible manner. Employees are expected to include sustainability considerations, where possible, and relevant, in their roles and in their decision making process. To promote sound and effective management of sustainability risks, Mercer ISE has further adopted remuneration policies that are consistent with promoting greater recognition of sustainability risks across Mercer ISE's activities.

Mercer ISE has documented processes aimed at delivering on the expectations contained in the policy. Annual work plans provide the necessary framework to ensure policy expectations are implemented across investment portfolios and assist with internal monitoring and oversight from various committees.

The Boards of the different Mercer ISE entities are responsible for approving the policy, and reviewing updates from Mercer ISE on the implementation of the policy, including annual updates on the integration of sustainability risks, climate-related activities and net-zero commitments and stewardship activities. The Boards of the different Mercer ISE entities are also responsible for approving other sustainability related policies such as the Mercer ISE Stewardship Policy

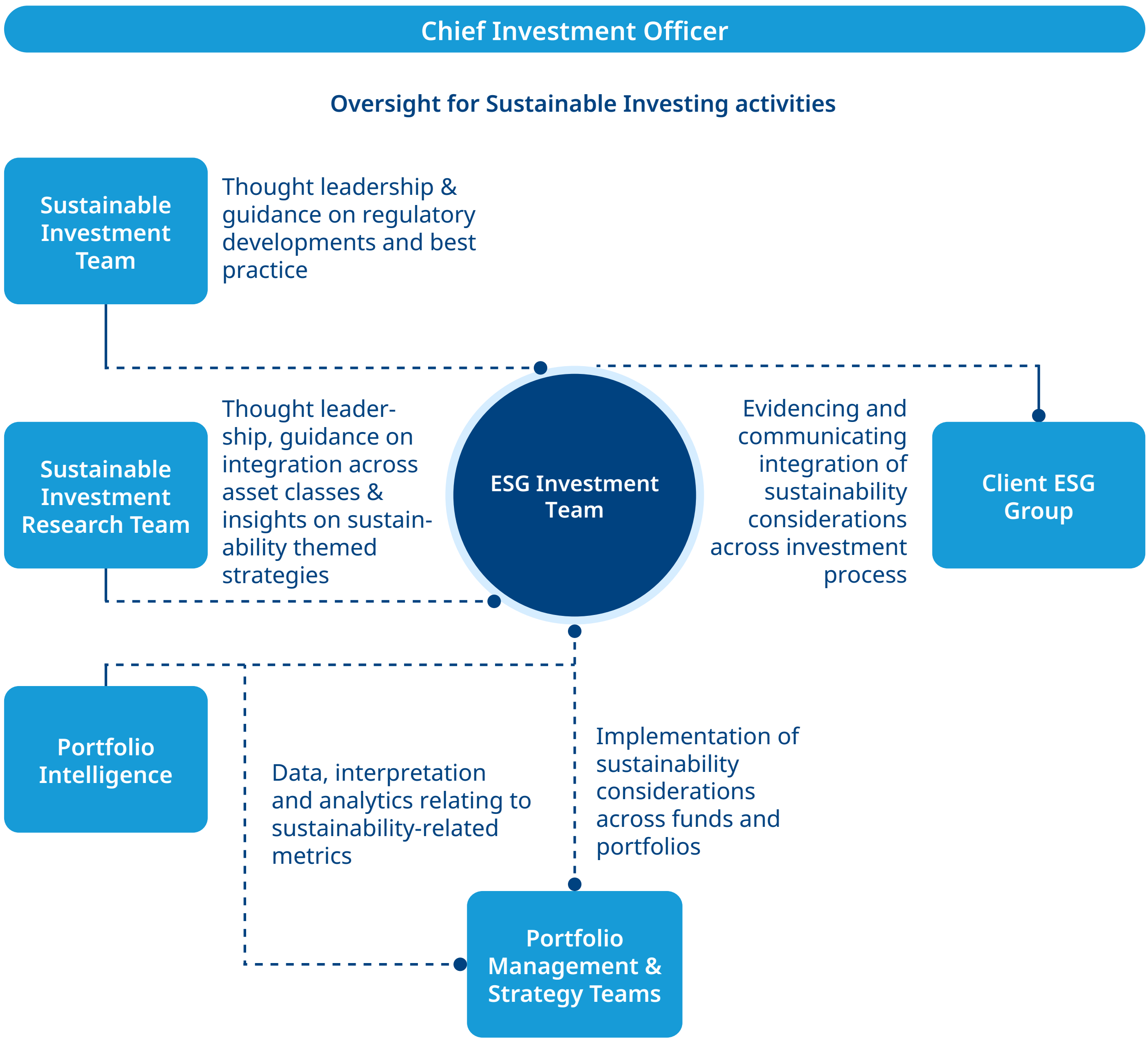
Mercer ISE's sustainable investing activities are overseen by the Chief Investment Officer (CIO), who is responsible for integrating sustainability considerations into investment strategy and ensuring processes and practices are in place to manage sustainability risks across portfolios.

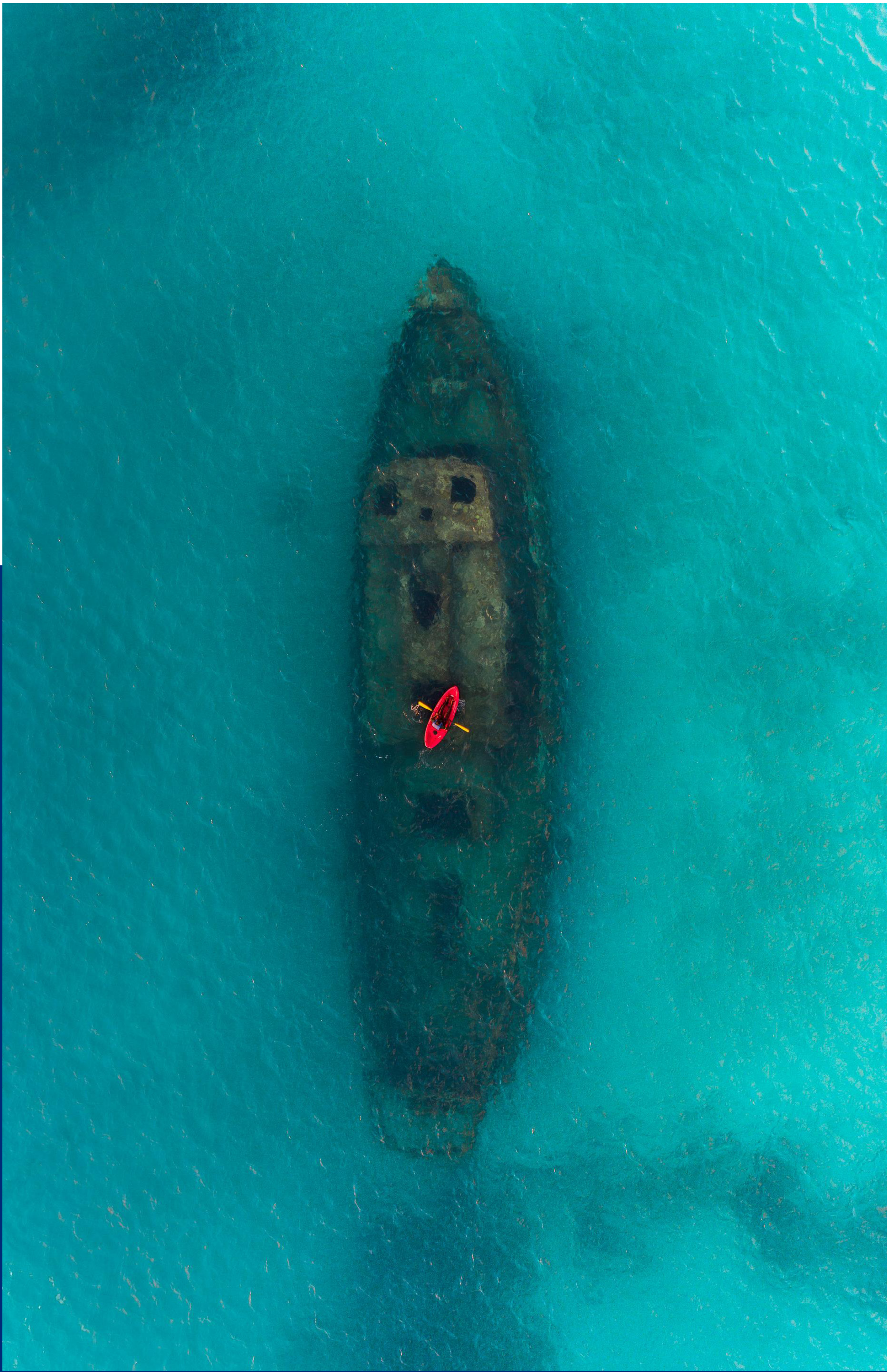
Mercer ISE's ESG Investments, Portfolio Management, Strategy and Portfolio Intelligence teams are responsible for the implementation of the policy and in ensuring sustainability considerations are embedded across investment activities, more specifically in identifying, assessing, monitoring and managing sustainability risks and opportunities.

Mercer's broader Sustainable Investment and Sustainable Investment Research teams provide thought leadership and guidance on regulatory developments, stewardship approaches, themes and opportunities relating to investing sustainably and insights on sustainability considerations across different asset classes and strategies.

Mercer Investment Solutions' Global ESG Integration Committee (EIC) meets quarterly to coordinate Mercer Investment Solutions approach to investing sustainably across the business. The EIC aims to embed best practice in sustainable investing across all regions through developing and reviewing policies, processes and implementation plans. The EIC consists of representatives from the global Investment, Sustainable Investment and Portfolio Intelligence Teams, including regional CIOs and Sustainable Investment (SI) leaders.

Mercer ISE's ESG Coordination Group (ECG) meets monthly to monitor progress related to the development and implementation of the policy and other ESG related matters. The ECG consists of representatives from the European Investment, Sustainable Investment, Compliance, Portfolio Intelligence, Client and Business Development Teams.





08.

Document Responsibilities

Document Responsibilities

Review

This policy will be reviewed at least annually, or more frequently if meaningful change is made to the integration of sustainability risks into the investment process, or relevant legislation or regulation requirements change.

Approval and Amendments

Despite any provision to the contrary, management may amend this document to:

- Correct any grammatical, typographical or cross referencing errors;
- Reflect non-material changes to operational procedures;
- Reflect any non-material changes required by law, a regulator or internal/external auditors.

The amendment must be approved by any one member of both the MGIE Portfolio Management and ESG Investment Team, with consultation with a member of the Sustainable Investment Team. The CIO must approve all other amendments to this document.

Revision History

Version	Reason for amendment	Date
1	Sustainable Investment Policy first formalised.	June 2015
2	Inclusion of climate change considerations in line with the 2017 update to Mercer's global investment beliefs.	November 2017
3	Inclusion of Exclusions and monitoring of UNGC breaches and amendments to reflect stewardship approach given the implementation of a securities lending program.	May 2019
4	Notable updates in the sustainability section to reference the SDGs, the active ownership section on proxy voting and the engagement framework to consider requirements of the UK Stewardship Code and the EU Shareholder Rights Directive, the exclusions section to update definitions and include the implementation of exclusions across passive funds, together with layout improvements and other minor edits.	August 2020
5	Update in relation to SFDR implementation.	February 2021
6	Updates include reference to standalone Stewardship Policy, with summary information provided on Mercer ISE's approach to Stewardship; enhancements to Mercer ISE's approach to climate change modelling and transition analysis; further detail on policy implementation and governance; sign posting review of exclusions alignment across passive and active funds and signing up to the UK Chapter of the 30% Club, together with layout improvements and general tightening of policy wording.	July 2022

Appendix – Mercer's ESG Ratings

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Mercer's ESG Ratings represent the Mercer Manager Research team's assessment of the degree to which environmental, social and corporate governance (ESG) factors are incorporated within a strategy's investment process. Four factors are considered and documented within the research commentary and an overall rating assigned, where ESG1 = highest possible rating and ESG4 = lowest possible rating. The research is stored within Mercer's Global Investment Manager Database (GIMD).

Mercer's four-factor framework – Active strategies

ESG1	ESG2	ESG3	ESG4
ESG integrated into the investment philosophy. Active ownership a core part of the process.	Consistent and repeatable process to ESG integration. Strong evidence of active ownership.	Ad hoc process to ESG integration and active ownership, but indications of progress.	Little or no integration of ESG factors or active ownership into core processes and no indication of future change.

Idea generation	Portfolio construction	Implementation	Business management
ESG factors integrated into active fund positions as a source of value added. Identification of material ESG factors, skill of team members, data sourcing.	Efforts to integrate ESG driven views into the portfolio's construction.	Engagement and proxy voting activities (if applicable). Investment horizon aligned with ability to effectively implement ESG views.	Firm-level support for ESG integration, engagement activities and transparency.

Mercer's four-factor framework – Passive equity strategies

For passive equity ratings, the overall framework is similar, however with a focus primarily on stewardship activities.

ESGp1	ESGp2	ESGp3	ESGp4
Leaders in V&E across ESG; stewardship activities and ESG initiatives undertaken consistently at a global level. Clear link between engagement and voting actions.	Strong approach to V&E across ESG topics and initiatives at a regional level, with progress made at a global level. Working towards clearer links between V&E actions.	Focus on V&E tends to be on governance topics only, or more regionally focussed with less evidence of E&S (in V&E as well as other internal ESG initiatives).	Little or no initiatives taken on developing a global V&E capability, reactive engagements and little progress made on other ESG initiatives.

Voting & Engagment	ESG Integration	Resources & Implementation	Firm-wide commitment
Policy, process and prioritisation. Quality of engagements.	Skill set of resources Effectiveness of engagement outcomes.	Data analysis to enhance active ownership.	Collaborative initiatives and engagement with regulators and policymakers.