

2024

# Sustainability Policy

Mercer Investment Solutions

Sustainability Policy



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## Introduction and Policy Scope

This Sustainability Policy (the “Policy”) sets out the key principles and guidelines used by Mercer Investment Solutions (Mercer IS)<sup>1</sup> entities to consider and respond to sustainability risks and opportunities and Environmental, Social and Corporate Governance (ESG) factors in investment process decision-making for the Mercer Funds<sup>2</sup> (“the Funds”).

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

The Policy is communicated to all appointed managers with segregated mandates. Mercer IS will monitor appointed managers on their implementation consistent with this policy to encourage sustainability risks and opportunities to be considered within investment decision making.

This policy is guided by our fiduciary responsibilities and forms part of the investment governance framework for the Funds and should be read in that context. Investors should also consider the offering document for each relevant Fund.

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<sup>1</sup> 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 acts as management company, and reference to Mercer IS throughout should also be interpreted to cover these entities.

<sup>2</sup> “Mercer Funds” are any collective investment scheme, including investment companies, common contractual funds, unit trusts and limited partnerships, for which MGIE or any affiliate serves as discretionary investment manager. This includes the Mercer Ireland domiciled UCITS and AIFs for which MGIE acts as Management Company or Alternative Investment Fund Manager respectively. For further information, please see the “Important Notices” section of this policy.

The Policy includes the following areas, namely:

**Governance and  
Implementation**

**Investment Philosophy**

**Integration of sustainability  
risks and opportunities**

**Climate change**

**Stewardship**

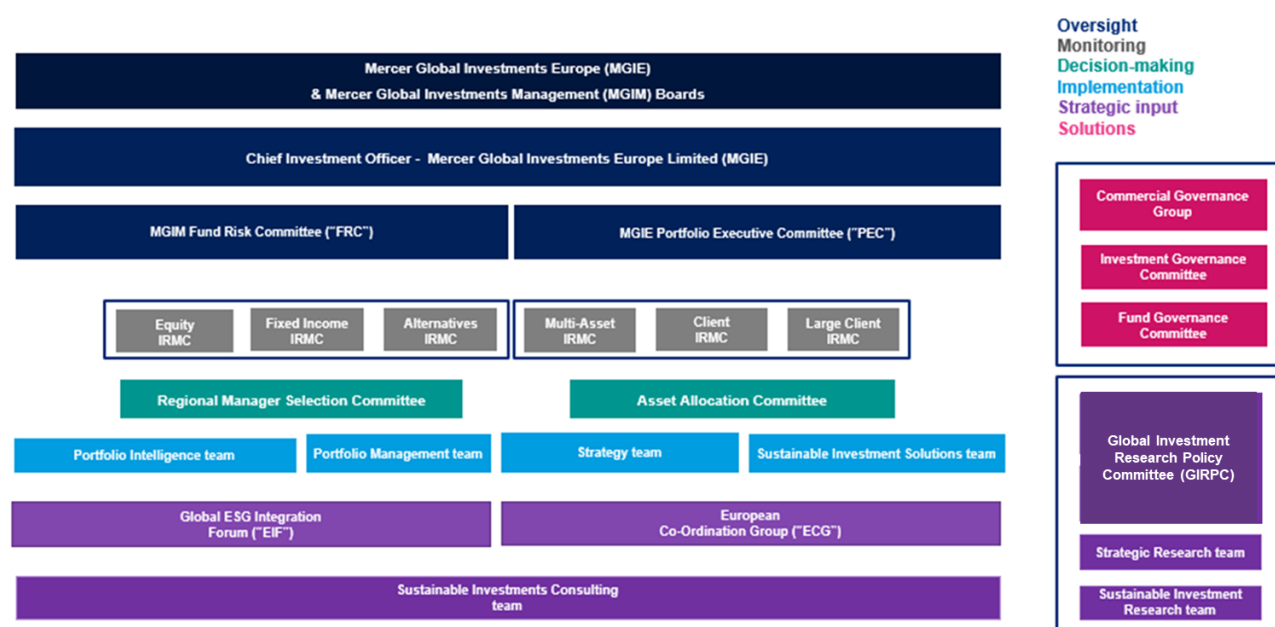
**Exclusions**



# Governance and Implementation

Mercer IS has established a clear governance structure with responsibilities allocated at board and management levels with inputs and oversight by global team members and integration responsibilities across the business, illustrated in the diagram below.

**Figure 1: Governance Structure**



Sustainability is embedded across various committees and teams with functions that include oversight, guidance, advice and strategy, and implementation. The table below further describes the responsibilities and key stakeholders involved in decision-making on sustainability risks and opportunities activities across the organisation.

<b>MGIM and MGIE Boards ("the Boards")</b>	The Board of Directors for MGIE and MGIM	Responsible for approving the adoption of the Policy and reviewing updates from Mercer IS on the implementation of the Policy.
<b>MGIE CIO</b>	Chief Investment Officer for MGIE	Responsible for integrating sustainability considerations into investment strategy and adopting processes and practices to manage sustainability risks across portfolios.
<b>MGIM Fund Risk Committee</b>	MGIM and MGIE senior management across Compliance, Portfolio Intelligence, and Portfolio Management	Provides regulatory investment risk oversight on the Funds, including oversight on the sustainability characteristics which the Funds have committed to.



<b>Portfolio Executive Committee</b>	Chaired by the CIO, consists of senior members from the Portfolio Management and Sustainable Investment Solutions teams	Oversees Mercer IS's key regulatory responsibilities, and sustainability implications on the Funds and portfolios.
<b>Head of Compliance</b>	Chief Compliance officer for MGIE	Responsible for monitoring for compliance with regulatory requirements
<b>Investment Risk Management Committee (IRMC)</b>	Representatives from Portfolio Intelligence and Portfolio Management teams across each asset class	Provides quarterly monitoring of sustainability risks on the Funds, including the relevant sustainability characteristics IS have committed to promoting and monitoring..
<b>Global OCIO SI Forum</b>	Representatives from the sustainable investment consulting team, OCIO team, manager and strategic research, and invited guests across the firm based on topic expertise	Global forum to share best practice globally and reviewing new processes, methodologies, or policy recommendations.
<b>Sustainable Investment Co-ordination Group</b>	Representatives from the European and AMEA investment, sustainable investment, compliance, portfolio intelligence, client and business development teams	Monitors progress related to the development and implementation of the policy and other sustainability related matters.
<b>Sustainable Investment Consulting Team</b>	Subject-matter experts sitting across UK, Europe, North America, Asia, and the Pacific supporting institutional investors in their local markets in integrating sustainability across investments	Dedicated members from the SI Consulting team 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, to the SI Solutions team.
<b>Client Management Teams</b>	Comprised of client directors, managers and analysts across Europe and UK	Responsible for day-to-day management of IS clients and supporting clients in delivering on their sustainability objectives with support from the SI Solutions team.
<b>Sustainable Investment Solutions Team</b>	Implementation experts across stewardship, climate, and regulation	Responsible for translating Mercer's thought leadership and best practice into clear policies and processes for implementation into portfolios by various teams across the business.
<b>Portfolio Management Teams</b>	Portfolio managers and analysts across Europe and UK, reporting to the Head of Portfolio Management	Responsible for the implementation of the policy and embedding sustainability considerations across investment activities, more specifically in identifying, assessing, monitoring and managing sustainability risks and opportunities within the Funds

Responsibility for continued compliance with this policy extends across many areas of the Mercer IS business, with employees expected to support Mercer IS 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 IS has further adopted remuneration policies that are consistent with promoting greater recognition of sustainability risks across Mercer IS's activities. Sustainability-related goals are also set and form part of the investment team's performance-related goals each year.

Mercer IS has documented processes aimed at delivering on the expectations contained in the policy. Annual work plans provide a framework to deliver on policy implementation and assist with internal monitoring and oversight from various committees.



# Mercer's Investment Philosophy

Mercer's investment philosophy serves as the foundation of our approach to help drive client success. Our investment philosophy was reviewed during 2023 and was formally implemented during 2024. This section covers our updated philosophy and importantly how sustainability is integrated within it.



In terms of sustainability, our Investment Philosophy covers the following areas:

- **Client objectives** - Aligning governance processes is essential for driving investment performance.

Aligned governance processes drive investment performance. Particularly in times of crisis, strong governance becomes even more crucial. Investors should regularly review their beliefs, objectives and risk tolerance, considering different timeframes to ensure alignment with their goals.

- **Strong governance** - Effective stewardship plays a crucial role in improving investment outcomes.

Effective stewardship and engagement with companies, policymakers and stakeholders plays an important role in value creation through the deployment of investor rights and influence. Clear stewardship objectives, meaningful escalation mechanisms in response to unsuccessful



engagements, and the feedback loop between stewardship activities and portfolio positioning (including, in some cases, exclusions) are all key to effective stewardship. Stewardship, which involves using voting rights and engaging with companies, can be enhanced through industry-based collaborative initiatives that promote the sharing of public information among investors. This sharing of information helps support each investor in making well-informed decisions.

- **Rewarded risk** - Integrating financially material sustainability transition and socio-economic risks into investment decision-making can potentially enhance portfolio resilience.

Considering the risks associated with climate transition, natural resource challenges, and socio-economic developments as part of an investor's risk management process can assist in positioning their portfolio across time horizons. This proactive approach enables investors to adapt to potentially changing market dynamics as a result of these trends.

- **Maximise value** - Investing to solve long-term systemic issues may provide opportunities to improve risk-adjusted returns.

Market inefficiencies in pricing transition risks, as well as the development of new technology and solutions to sustainability challenges across developed and emerging markets, can create opportunities for investors to capitalise on the transition to a net-zero carbon, nature-positive and more equitable world.

Our investment philosophy, coupled with clearly defined processes, ensures sustainability considerations are embedded across our investment solutions and services.

Our philosophy is supported by Mercer's forward-looking research, proprietary tools and solutions, which assist us in balancing risk, return, regulatory requirements and reputational considerations, while considering market-wide and systemic risks and incorporating sustainability considerations.

Our full investment philosophy is available here: [Investment philosophy \(mercer.com\)](https://www.mercer.com/investment-philosophy)

# Integration of Sustainability Risks and Opportunities

Mercer IS expects its appointed managers to assess and reflect sustainability risks and opportunities in security or asset selection and portfolio construction. The degree of relevance or materiality varies across asset classes and type of investment strategy the managers use.

The table below contains examples of ESG factors that may lead to sustainability risks and have a potential impact on the value of an investment, and may be considered by our appointed investment managers:

**Figure 2. ESG Factors**

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Water</li> <li>• Waste and pollution</li> <li>• Nature &amp; biodiversity loss</li> </ul>	<ul style="list-style-type: none"> <li>• Labour standards and modern slavery (including the supply chain)</li> <li>• Human rights and community impacts</li> <li>• Health and safety</li> <li>• Social inequality</li> <li>• Demographics/ consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Board diversity, composition, independence and effectiveness</li> <li>• Executive remuneration</li> <li>• Conduct, culture and ethics</li> <li>• Shareholder rights</li> </ul>

An investment manager's ESG capabilities and the extent of ESG integration within a strategy form an important part of the Mercer IS investment manager selection process. During the investment manager selection process, and on a periodic basis, Mercer IS will qualitatively assess an investment strategy's level of ESG integration in the investment process, including ESG resourcing by the investment manager. Among other things, this draws on the analysis of Mercer's Manager Research team, which considers a manager's approach to ESG integration, stewardship practices and its capital allocation to sustainable opportunities in its overall rating process of investment strategies.

Mercer IS also offers a number of funds that apply additional sustainability criteria (identified as such in their relevant offering documentation).

Various ESG factors at Sub-Fund level and Sub-Investment Manager level are monitored at quarterly IRMCs. Mercer IS may engage with its appointed investment managers, particularly those with a less favourable ESG practices, to encourage them to improve their approach to ESG integration. We also may engage with appointed investment managers to seek alignment with Mercer's ESG priorities such as climate change (see our Investment Approach to Climate Change Report on our [RI website](#)) and nature.

Mercer IS also uses third-party ESG research to monitor certain multi-client Funds 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 its commitment to promoting diversity, Mercer IS is a member of the 30% Club Ireland Investor Group and a signatory of the UK Chapter of the 30% Club.

At the entity level, in accordance with the Sustainable Finance Disclosure Regulation ("SFDR") Mercer IS also considers the principal adverse impacts of investment decisions on sustainability factors. More detail on this is provided in the [Principal Adverse Sustainability Impacts Statement](#).

Mercer IS believes that including exposure to strategies that identify longer-term environmental and social themes and the companies delivering solutions is likely to lead to improved risk management and new investment opportunity discoveries. 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 considers exposures and themes in portfolio construction decisions.

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 IS may use the data and tools of third-party data providers to measure the extent to which companies (for the listed equity and corporate credit holdings) products and services contribute to (or detract from) sustainability challenges, as grouped by the SDGs.

For individual Mercer Funds and portfolio solution pre-contractual information and sustainability risk integration details please visit our [dedicated sustainability website](#).

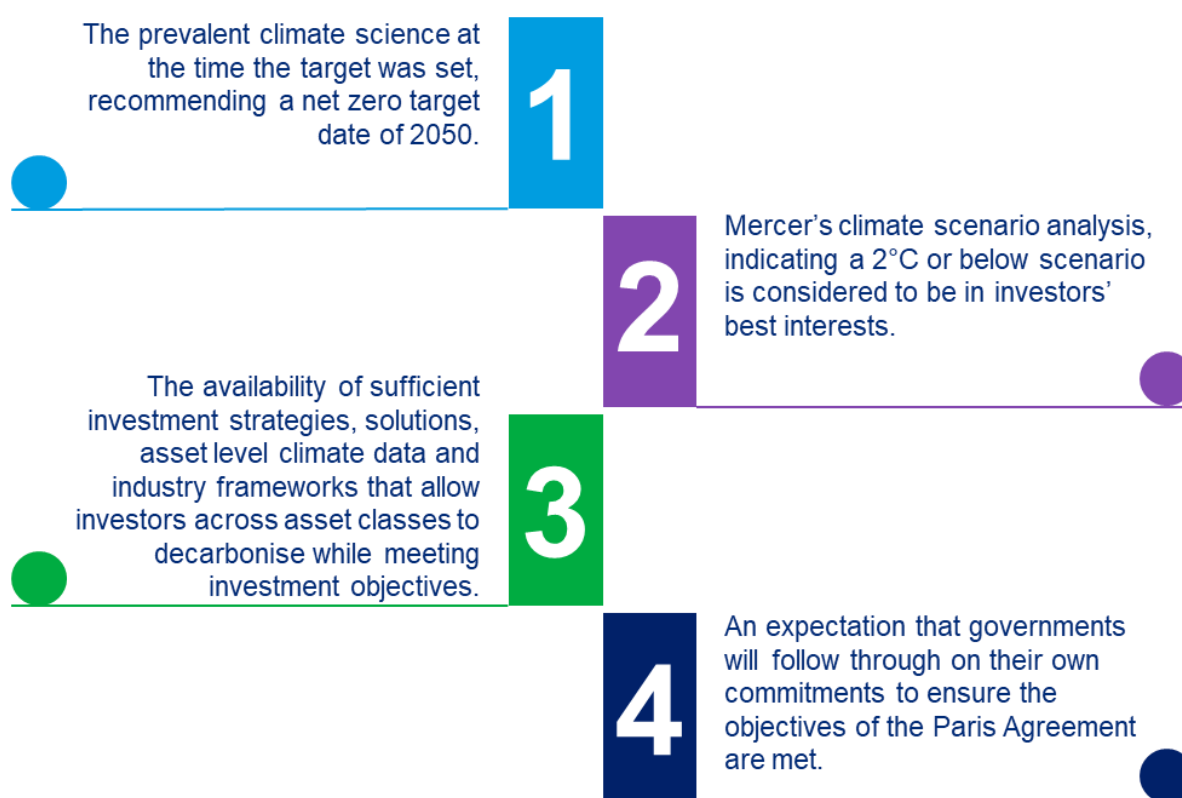
# Climate Change & Nature

Mercer 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 likely to be aligned with the best financial outcome for long-term diversified investors, such as those who typically invest in the Funds.

Mercer IS 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 IS’s target to achieve net-zero absolute portfolio carbon emissions for the majority of our model discretionary portfolios and the majority of our multi-client, multi asset Funds by 2050.

To achieve this, Mercer IS plans to reduce portfolio relative carbon emissions intensity by at least 45% from December 2019 baseline levels by 2030.

Achieving the net zero target relies on some key assumptions including:



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 IS’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 IS's [‘Our investment approach to climate change’](#) report, highlighting Mercer IS's approach to the TCFD framework in more detail, including example analysis on strategy, targets and metrics. Disclosure consistent with the TCFD recommendations is also encouraged for appointed managers.

The target is expected to be met by following a Climate Transition Plan. The plan aims for:

- An approach to decarbonisation which is broadly aligned with the commitments of the Paris Agreement, but accounting for the transition occurring in the real economy and understanding the different transition capacity by asset class, given liquidity and sector exposures.
- A reduction in atmospheric carbon emissions as opposed to just portfolio carbon emissions. This is measured by absolute emissions per dollar invested, supplemented with additional intensity and alignment metrics as recommended by the TCFD.

Where relevant and consistent with meeting the investment objectives as stated in the product disclosure documents, the Climate Transition Plan seeks to incorporate key principles as follows:

- **Integration** – Incorporating climate metrics in portfolio management including investment manager monitoring and strategic asset allocation modelling.
- **Active ownership** – Engaging with appointed investment managers and via collaborative initiatives to support decarbonisation and orderly climate transition.
- **Sustainability themed investment** – Including exposure to investment strategies that integrate longer-term environmental and social themes and that seek to invest in companies delivering solutions to environmental and social challenges.

Progress towards achieving the stated target will be monitored on a regular basis, typically annually, considering absolute emissions and carbon intensity reductions, together with transition capacity using Mercer's proprietary Analytics for Climate Transition ('ACT') tool.

The ACT tool assesses portfolios for climate transition risk across a spectrum, with the companies within portfolios categorised as those that have high emissions and limited capacity to transition ('grey' category) to investments that have low emissions and high capacity to transition ('green' category) and the range between the two ('in-between' categories). Progress against the stated target will be included in our annual public Investment Approach to Climate Change report, along with further detailed reporting delivered to clients.

Nature and biodiversity are intrinsically linked to climate change. Crucially, climate change cannot be mitigated unless natural systems are restored around the world. As such, we are increasingly seeking to understand the interconnections between nature and biodiversity loss and our climate targets by analysing our investments and engaging with appointed managers on nature-related dependencies, impacts, risks and opportunities, with a particular focus on deforestation risk. As we gain a better understanding of material nature-related risk exposures in investment portfolios and the impacts of climate change on nature (and vice-versa), we expect a greater focus on nature in our stewardship activities, and in seeking nature-based solutions to protect, manage, and restore ecosystems.

At the manager level, Mercer IS's expectation is that climate change and nature 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.



# Stewardship

Mercer IS believes effective stewardship, which involves using voting rights and engaging with companies plays an important role in managing sustainability risks and other ESG factors and in value creation through the deployment of investor rights and influence. Clear stewardship objectives, meaningful escalation mechanisms in response to unsuccessful engagements, and the feedback loop between stewardship activities and portfolio positioning (including, in some cases, exclusions) are all key to effective stewardship. Stewardship can also be enhanced through industry-based collaborative initiatives that promote the sharing of public information among investors.

We support industry standards of good governance and stewardship, such as the UK Stewardship Code, to which Mercer IS remains a signatory. Mercer IS's latest [Sustainability and Stewardship report](#), which references its application of the 12 Principles of the UK Stewardship Code is publicly available on its website.

Mercer IS's [Stewardship Policy](#) ("the Stewardship Policy") outlines the key principles and Mercer IS'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 IS believes its appointed managers are typically best placed to prioritise particular engagement topics by security, given they are expected to have detailed knowledge of the practices of the securities they invest in and are therefore best placed to engage on topics and themes that are most material to each security.

A core component of our stewardship approach centers on engagements with our appointed managers on their overall approach to integrating sustainability and stewardship considerations across their investment processes and voting and engagement activities related to portfolio holdings.

Mercer's annual Sustainability & Stewardship Survey provides useful insights into managers' approaches to integrating sustainability considerations and conducting stewardship activities, and on their views and approaches to integrating Mercer IS's engagement priorities.

Climate change is a specific stewardship priority for Mercer IS. We therefore monitor and engage 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 in an effort to support the decarbonisation of portfolios. A climate engagement framework, which includes an escalation framework, has been developed to support this.

Diversity, Equity and Inclusion is also a specific stewardship priority for Mercer IS, as we believe diverse teams lead to better decision-making, are therefore engage with appointed managers to promote stronger gender diversity across the key decision makers (KDMs) of their teams. Mercer IS screens and monitors listed portfolios for high-severity ESG-related incidents 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 and reputation implications as well as engagement insights on the issue.

Via our appointed investment managers, collaborative initiatives and/or directly, we may also engage with regulators, governments and other policy makers to recommend changes or express views on sustainable investment regulatory regimes or policy positions where this is deemed important to protect the rights, or enhance the interests, of our investors.

Mercer IS 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.

Any engagement or collaboration must be carried out in accordance with applicable law and regulation and our policy on conflicts of interest.

Please refer to the [Stewardship Policy](#) for more detail.

## Voting

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 given to listed equity managers with an expectation that all shares are to be voted<sup>3</sup> 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 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 expects its investment managers to establish their own voting policy that sets out the principles and guidelines under which rights to vote are exercised. However, Mercer does have voting expectations with respect to its engagement priorities, namely Climate and Diversity, Equity and Inclusion, as detailed in our Stewardship Policy, which it communicates to its investment managers. Mercer engages the services of a 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.

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

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<sup>3</sup> 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

voting purposes ahead of an AGM and we expect that this will not affect our objective to vote on all shares.

## **Taking a ‘Priority Vote’**

While proxy voting is typically carried out by managers which may sometimes lead to mixed votes, Mercer IS retains the right to direct a ‘Priority Vote’ to override a manager’s vote on any 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 right yet, in determining such votes, Mercer IS will consider views from our proxy advisor, investment managers deemed to be stewardship leaders and best practice guidelines.. Mercer IS may also conduct its own research or engage with the relevant company to inform its decision in these circumstances.

## **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.

## **Reporting and disclosures**

Mercer IS 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 and the UK Stewardship Code, where possible.

Mercer IS endeavours to provide clear and transparent reporting on its stewardship activities including through the following:

On an annual basis, we publish our Sustainability and Stewardship Report, which sets out how the Stewardship Policy has been implemented, in line with the requirements of the EU Shareholder Rights Directive II and with reference to the 12 Principles of the UK Stewardship Code. This report includes highlights of engagements with managers, results from our annual Sustainability and Stewardship Survey and proxy voting activities.

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





# Exclusions

As an overarching principle, Mercer IS emphasises 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 IS 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 IS 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 philosophy, 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 IS has developed an exclusions framework which helps to define our approach and set processes, including escalation steps, on responding to various ESG topics. At the heart of the framework are considerations for risk, return and reputation. The framework takes a systems-thinking approach, is evidence-based, and explicitly takes into account various dimensions important to our clients such as harmful or adverse impacts, stakeholder concerns, public policy guidance, civil society views, and portfolio materiality.

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





## Current Exclusions

As a result of decisions supported by Mercer's exclusion framework, certain multi-client Mercer Funds have exclusions applied. The majority of Mercer's multi-client Funds have the below exclusions applied, however, exclusions may vary between funds based on client expectations and needs, or applicability to the asset class.

### 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 or chemical weapons.

### Civilian Firearms

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, including cigarettes and e-cigarettes and/or companies that grow or process raw tobacco leaves (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.

### Nuclear weapons

Companies that manufacture or assemble nuclear warheads, nuclear missiles, components (incl. fissile materials) and/or delivery platforms and companies providing auxiliary services related to nuclear weapons.

Mercer IS also manages a number of funds that promote environmental and/or social characteristics or target a particular objective such as alignment with the Paris Agreement. These funds have additional exclusions designed to align with product characteristics and objectives – please see relevant product disclosures [on our dedicated website](#) for further information.

# Document Responsibilities

## Review

This policy will be reviewed regularly, typically 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 Boards and 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 philosophy.	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
7	Updates to the Governance Section, removing the climate change scenario modelling and transition analysis and referencing the TCFD report; removing the exclusion implementation section; and combining sustainability risks and opportunities into one section.	August 2023

8	Update to Investment Philosophy, removal of reference to ESG ratings, updates to Stewardship section to align with Stewardship Policy.	November 2024
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## Important Notices

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References to Mercer Investments Solutions Europe 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.

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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.

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