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mercero passive sustainable global equity ucits ccf

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1. Summary

The product has Sustainable Investment, namely, a reduction in carbon emissions, as its objective within the meaning of Article 9 of the SFDR.

The product is a passively managed fund investing predominantly in global equity and equity related securities that as far as possible and practicable reflect the component equity securities of the benchmark index. The benchmark index used is the Solactive Sustainable Global Developed Equity EU Paris-Aligned Index.

2. Sustainable investment objective

The sustainable investment objective of the product for the purposes of the SFDR is a reduction in carbon emissions in alignment with the Paris Agreement.

An EU Paris-Aligned reference benchmark has been designated for the purpose of attaining the sustainable investment objective of the financial product. More information contained here

<https://www.solactive.com/?s=DE000SL0CMD9>

The product considers principal adverse impacts on sustainability factors and applies a number of exclusions to achieve its sustainable investment objective and further promote environmental and social factors.

3. Investment strategy

The product contributes to climate change mitigation through decarbonisation in alignment with the Paris Agreement.

The product will seek to reduce carbon emissions with a view to achieving net zero carbon emissions by 2050. To achieve the carbon emissions target and other transition elements the product will follow a specifically designed EU Paris-Aligned index. The product will utilize the Solactive Sustainable Global Developed Equity EU Paris-Aligned Index as its benchmark index.

The benchmark index is designed to enhance exposure to positive ESG factors and stay compliant with EU Paris-aligned benchmark regulatory requirements set out in the EU Climate Benchmarks Regulation and provide low carbon emission exposure with a view to achieving the long-term global warming objectives of the Paris Agreement.

A number of exclusions are applied to further promote environmental and social sustainability characteristics and set safeguards on environmental and social elements promoted by this product in compliance with EU Paris-aligned benchmark regulatory requirements.

4. Methodology

The investable universe for the benchmark index is determined based on the components of the Solactive GBS Developed Large & Mid Cap Index which is firstly screened to exclude certain sectors, companies or practices based on specific values or norms based criteria and secondly filtered by the requirements for Paris-Aligned benchmarks as set out in the EU Climate Benchmarks Regulation.

The companies within the investable universe are evaluated and allocated an ESG score based on certain environmental, social, corporate governance and transparency metrics. The components of the investable universe are re-weighted relative to the weights that they have in the investable universe based on their ESG score and the carbon reduction requirements applicable to EU Paris-Aligned benchmarks. As a result, the benchmark index tends to overweight companies with higher ESG ratings and underweight companies with lower ESG ratings and intends to have lower carbon emissions than a broad-based global equity index such as the Solactive GBS Developed Large & Mid Cap Index. For more detail on how the index incorporates Sustainability Objectives, see link: https://www.solactive.com/wp-content/uploads/solactiveip/en/ESG_Methodology_Statement_DE000SL0CMD9.pdf

A number of exclusions are applied to further promote environmental and social sustainability characteristics and set safeguards on environmental and social elements promoted by this product in compliance with EU Paris-aligned benchmark regulatory requirements.

ESG scores outlined above are based on the following metrics:

Environmental	Social	Governance	Transparency
Emissions intensity score	Females on board (%)	Float percent	ESG reporting standard
Reserves intensity score	Women in workforce (%)	Equity voting rights	Verification of ESG reporting
Climate revenues	Women in management (%)	CEO-Chairman separation	CDP participation
	Female executives (%)	Independent board members	Tax disclosure
	Bribery and corruption policy	Average board tenure	Director disclosure
	Freedom of association	Non-audit to audit fees ratio	Remuneration disclosure
	Discrimination policy	Audit committee expertise	
	Scope of social supplier	Income statement auditor	
	Employee incidents		
	Business ethics incidents		
	Social supply chain incidents		

Exclusions

The reasons to exclude certain securities are a combination of factors that make continued exposure to these securities untenable in the view of environmental objective promoted. The product is firstly screened at the index level to exclude certain sectors, companies or practices based on specific values or norms based criteria and secondly filtered by the requirements for EU Paris-Aligned benchmarks as set out in the EU Climate Benchmarks Regulation.

At the date of this document the following exclusions apply at the index level.

Fund exclusions	
Adult Entertainment	Producers and companies with more than 50% of revenue from adult entertainment-related business activities.
Alcohol	Producers and companies with more than 50% of revenue from alcohol-related business activities.
Controversial Weapons	Companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical and nuclear weapons.
Civilian Firearms	(Semi-) Automatic civilian firearms manufacturers and retailers
Fossil Fuels	Companies with more than 5% of revenue from Fossil Fuels and companies with more than 1% of revenue from coal mining and power generation. Companies on the ISS Coal top 100 list- based on the size of company reserves.
Gambling	Producers and companies with more than 50% of revenue from gambling-related business activities
Tobacco companies	Producers and companies with more than 50% of revenue from tobacco-related business activities.
Norm-Based (UN Global Compact and OECD Guidelines)	Companies with verified failure to respect established norms as well as severe or very severe controversies
Environmental	Significant negative impact on Sustainable Development Goals such as: <ul style="list-style-type: none"> • SDG 12: Responsible Consumption and Production • SDG 13: Climate Action • SDG 14: Life Below Water • SDG 15: Life on Land

Good governance practices of the investee companies are managed both at product and sub-product level.

Mercers [ESG ratings' methodology](#) allocates ESG ratings at a strategy level on a scale from ESGp1 (highest) to ESGp4 (lowest) to assess and identify clear leaders in ESG and investor stewardship for passive managers. This assessment focuses on how well firms undertake their stewardship activities such as voting, engagement, industry collaboration and reporting. This assessment utilizes Mercer's proprietary ESG Ratings methodology, based on a four-factor framework, which incorporates the assessment of:

- Voting and engagement process
- Resources and implementation
- ESG integration and internal initiatives
- Industry collaboration and firm-wide commitment

The four factor rating framework explicitly concentrates on manager processes to manage and identify good governance in investee companies via stewardship considerations. Mercer ISE makes available to clients policy and process information from sub-product managers that in qualitative and quantitative terms explains the processes applied by these managers.

Good governance practices of underlying securities are further assessed and integrated through ESG scores assigned by the underlying manager. Please refer to the Methodology section above.

To further promote good governance practices, the product screens out societal norm violations, including UNGC Principles and OECD Guidelines for Multinational Enterprises in accordance with EU Paris-Aligned Benchmark Regulation.

Mercer ISE monitors stewardship for the product by receiving periodic disclosures from underlying fund managers, as well as through Mercer ISE's annual manager engagement survey. The engagement survey captures manager's approaches to voting and engagement and includes a specific focus on the governance and approach adopted towards themes outlined in Mercer ISE's Global Engagement Priorities. The survey also captures disclosure of significant votes, the services of proxy advisors and summary reporting on engagement activities. These manager disclosures are used as a basis for engaging with underlying fund managers to promote good governance and engagement approaches over time. Mercer ISE also monitors sub-product manager practices against the principles of the UK Stewardship Code.

Sustainability risk impact on returns at the aggregate Mercer product level

As outlined in [Mercer Investment Beliefs](#) and as further defined by SFDR, environmental, social and governance events or conditions that may occur can have an actual or potential material negative impact on the value of investments the product holds.

Examples of sustainability risks include climate-related and environmental risks, poor governance practices and/ or significant social issues. Risk can be experienced at an asset, regional, sectoral or system level and may impact the value of the product.

To mitigate climate change risk Mercer has produced extensive research on climate change and climate transition risk. This research both guides the high beliefs on the importance of sustainability risk, as well as helps to inform underlying fund selection decisions.

5. Proportion of investments

The investment product is a passively managed fund investing across the investable universe discussed under the Methodology section above.

As the product has a reduction in carbon emissions in alignment with the Paris Agreement, as its sustainable investment objective, the product is responsive to sustainability risks and transition opportunities and the opportunity set will include sustainable investments.

The proportion of sustainable investments and investments aligned with environmental and social characteristics will be disclosed in periodic reporting as required in future.

6. Monitoring of sustainable investment objective and data sources

Sustainability indicators used to measure the attainment of the sustainable investment objective and environmental or social characteristics promoted by this financial product:

Various sustainability indicators are used to by the benchmark index provider to ensure the index meets the requirements of an EU Paris-Aligned Index, in line with the EU Climate Benchmarks Regulation.

The sub-investment manager also monitors certain environmental, social, corporate governance and transparency metrics, in order to assign ESG scores to underlying securities. Please refer to Methodology section above.

The following sustainability indicators will also be monitored across the product:

Environmental	Data sources	Link to environmental and/or social characteristic
Greenhouse gas emissions (Scope 1,2)	MSCI	Adverse impact
GHG intensity of investee companies	MSCI	Adverse impact

Exposure to companies with fossil fuel reserves	MSCI	Adverse impact
Power Generation Carbon Intensity	MSCI	Adverse impact
Renewable Energy Generation	MSCI	Adverse impact
Clean transport infrastructure	MSCI	Adverse impact
Low carbon transition management	MSCI	Adverse impact
Warming Potential	Carbon Delta	Adverse impact
Climate VaR	Carbon Delta	Adverse impact
Green Revenues	ISS	Adverse impact
Carbon transition scores	Mercer ACT tool	Adverse impact

Monitoring Sustainability indicators used to measure the attainment of the environmental objective of this financial product:

As part of the investment monitoring process, sustainability indicators are analysed at a sub-product and product level using ESG data from different data providers. Sustainability related-metrics are analysed at a sub-product and product level. Underlying fund ESG Ratings are regularly reviewed including during quarterly monitoring by the portfolio management teams with a more comprehensive review performed annually.

Limitations to methodologies and data

The global scope of the product brings in different countries, regions and asset classes that have varying challenges when it comes data quality and coverage and that need to be considered, in particular in emerging markets. Some data may be modelled rather than reported data and data from some companies may be delayed. Sustainability indicators are after all proxies and weak models for expected outcomes and can fail to capture changes in the sustainability risk profiles of securities they are linked to.

7. Engagement policies

Mercer ISE believes stewardship (or active ownership) and good governance 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.

Assessment and measurement

Mercer ISE expects appointed underlying fund managers to monitor and engage with investee companies and to report on stewardship activities and outcomes. Mercer ISE carefully evaluates each underlying fund manager's stewardship capabilities (voting and engagement) as part of the manager selection process to ensure it is representing Mercer ISE's commitment to good governance and long-term value creation. Furthermore, ESG ratings pay specific attention to identifying underlying manager stewardship capabilities.

In addition, Mercer ISE assesses managers on their commitment to standards of good governance including, for example against the principles of the UK Stewardship Code (the "Code").

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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.

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