

Mercer

Sustainability & Stewardship Report

For the period
01 Jan 2024 – 31 Dec 2024

October 2025



Contents

Message from the Chief Investment Officer	4
Purpose, strategy & culture	7
Governance, resources and incentives	20
Conflicts of interest	29
Client and beneficiary needs	32
Review and assurance	39
Monitoring investment managers	43
Exercising rights and responsibilities	58
Meeting the principles of the UK Stewardship Code	62

Message from the Chief Investment Officer

We are pleased to share details of how Mercer Investment Solutions (Mercer¹), in its capacity as an investment manager, is undertaking its stewardship activities on behalf of the Mercer Funds². Our fifth annual report³ captures Mercer's stewardship approach, activities and outcomes over the calendar year 2024 and is designed to address the 12 principles of the 2020 UK Stewardship Code for investment managers and fulfil our regulatory reporting requirements in line with the EU Shareholder Rights Directive II.

Stewardship continues to play a crucial role in helping our clients meet their investment and sustainability goals and fiduciary responsibilities and can support better investment outcomes that are more positive for people and the planet.

Mercer does not typically directly select securities; instead, it selects and combines investment managers into Mercer Funds to implement day-to-day investment management tasks. This places Mercer in a unique position to engage with multiple investment managers and provides an opportunity to encourage effective stewardship practices, not only in relation to assets managed on behalf of Mercer, but across investment managers' broader investment processes too.

Stewardship continues to play a meaningful role in the investment process and in the ongoing monitoring by our investment teams to increase the overall effectiveness of active ownership for the benefit of clients.

The main highlights of how Mercer has embedded sustainability considerations across our investment approach and carried out stewardship activities during 2024 are as follows:

- Mercer's Sustainability & Stewardship Survey for investment managers provides a useful tool to assess and monitor the sustainability and stewardship practices of our investment managers, with the 2024 survey providing insights from over 100 investment managers managing over 200 strategies used

within the Mercer funds. The results support an understanding of investment manager stewardship approaches across different asset classes and engagement themes and support us in engaging with investment managers to develop more effective stewardship practices to drive real world change at a company level.

- We continue to work with investment managers to support the promotion of sustainability characteristics within the investment strategies of the Mercer funds disclosing under Article 8 of the EU Sustainable Finance Disclosure Regulations.
- We remain committed to targeting net zero absolute portfolio carbon emissions by 2050⁴, with climate change remaining a high priority on our stewardship agenda to support this. Our Climate Engagement Framework supports the identification of the highest carbon intensive issuers operating in high impact sectors, across the Mercer funds, to prioritise targeted engagements with investment managers to assess their stewardship efforts in promoting decarbonisation progress across these companies. Stewardship plays an import role as we seek to reduce portfolio and real economy emissions whilst still achieving core risk/return objectives.
- We continued to support those clients with net zero and interim climate-related targets with monitoring their progress towards these and/or wider climate-related targets using our Analytics for Climate Transition (ACT) tool and have supported others with the preparation of their TCFD reports.
- Understanding the linkages between climate and nature, and their financially material impact on the economy and investments, we continue to engage with investment managers to understand their approach to incorporating these considerations in their investment process. We were a founding signatory to Nature Action 100, in 2023, as part of our commitment to supporting initiatives that aim to reverse nature and biodiversity loss, and have since implemented our Nature Engagement Framework which seeks to engage

¹ This report applies to Mercer Global Investments Europe Limited ("MGIE") in its capacity as investment manager of the Irish domiciled liquid funds for which Mercer Global Investments Management Limited acts as management company and also covers liquid funds for which MGIE acts as delegated investment manager on behalf of external management companies and reference to Mercer throughout this document (unless clearly marked otherwise) should also be interpreted to cover these entities. This document further makes reference to the Mercer group which refers to Mercer in conjunction with other teams from across the business e.g. Mercer's global sustainable investment, strategic research, investment advisory and manager research teams.

² See Important Notices. Noting that the approach to stewardship will differ across asset classes and be limited for some (e.g. cash, Liability-Driven Investments (LDI)). The extent of stewardship activities and monitoring of such will also vary across multi-client and bespoke funds, particularly in instances where clients have set up a bespoke investment vehicle and have a desire to engage with, set and communicate their expectations of investment managers.

³ This report was reviewed by the Head of Sustainable Investment Solutions and Chief Investment Officer for Mercer Global Investments Europe Limited and formally approved by the Mercer Global Investments Europe Limited Board.

⁴ For the majority of our discretionary model portfolios and the majority of our multi-client, multi-asset Funds domiciled in Ireland.

with investment managers holding companies likely to have a material influence on nature due to their activities and supply chains.

- As a member of both the UK and Irish Investor Chapters of the 30% Club, we supported the development of the Global Collaboration of 30% Club Investor Groups Chairs, which facilitates collaborative engagement efforts, where members of the groups can support engagements in markets where a 30% Club Investor Group is present.
- We supported our occupational pension trustee clients in compiling their annual Implementation Statements, providing oversight of voting and engagement activities carried out by investment managers across their investment portfolios.

In November 2024, Mercer completed its acquisition of Cardano, further strengthening its position in the market as a leader in both advisory and investment solutions for a wide range of clients. Cardano brings with it a wealth of talent and capabilities in the sustainability and stewardship space, and 2025 and beyond will be focused on integrating the capabilities of the two businesses. Cardano has produced its own Annual Stewardship Report for the 2024 reporting year.

Mercer remains dedicated to promoting best practices in stewardship across our investment activities and amongst investment managers and in supporting our clients in being effective stewards for their members and stakeholders. Transparent reporting of our activities and outcomes to clients and the wider market, as well as collaborative efforts with our clients and other investors, will continue to be key to our ongoing success. We recognise that enhancing the stewardship process requires collective action, and we are committed to using our voice, along with that of our clients, to drive positive change across the industry.



David O'Sullivan

Chief Investment Officer,
Mercer Global Investments
Europe Limited

01

Purpose, strategy & culture

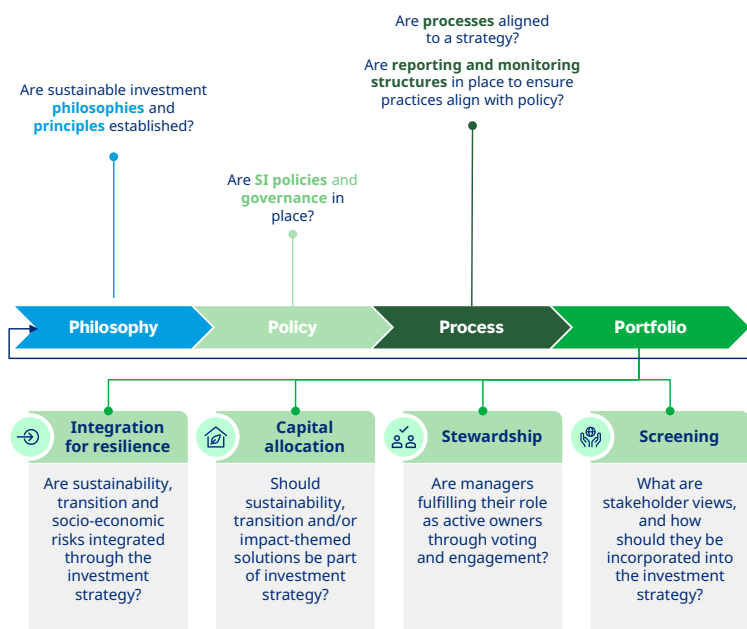


Mercer is a leading provider of investment solutions, catering to a diverse range of institutional investors, including pension funds, insurance companies, private wealth managers, endowments, foundations, and other asset owners and investors. Our primary purpose is to support clients in setting, implementing and monitoring their investment strategies through our investment solutions to meet their goals and fiduciary responsibilities. Stewardship plays a key role in this regard.

Mercer incorporates sustainability considerations into its investment process using the intellectual capital, research, resources and support of Mercer's global sustainable investment, strategic research, investment advisory and manager research teams⁵. In June 2025, the Mercer group won the Environmental Finance Sustainable Investment Consultant of the Year award for the fifth year running, in respect of activity undertaken in 2024.

Sustainability considerations within our investment process largely fall within four key areas defined in the Mercer group's Sustainable Investment Pathway.

The Mercer group's Sustainable Investment Pathway



Mercer does not directly select securities for its range of funds; instead, it selects investment managers to directly select securities and implement day-to-day investment management tasks. These investment managers manage strategies tailored to meet Mercer's specific policy

⁵ Mercer in conjunction with other teams from across the broader business, e.g. Mercer's global sustainable investing, strategic research, investment advisory and manager research teams is referred to as "the Mercer group".

requirements and are combined into Mercer funds, with these funds being combined into portfolios for certain clients.

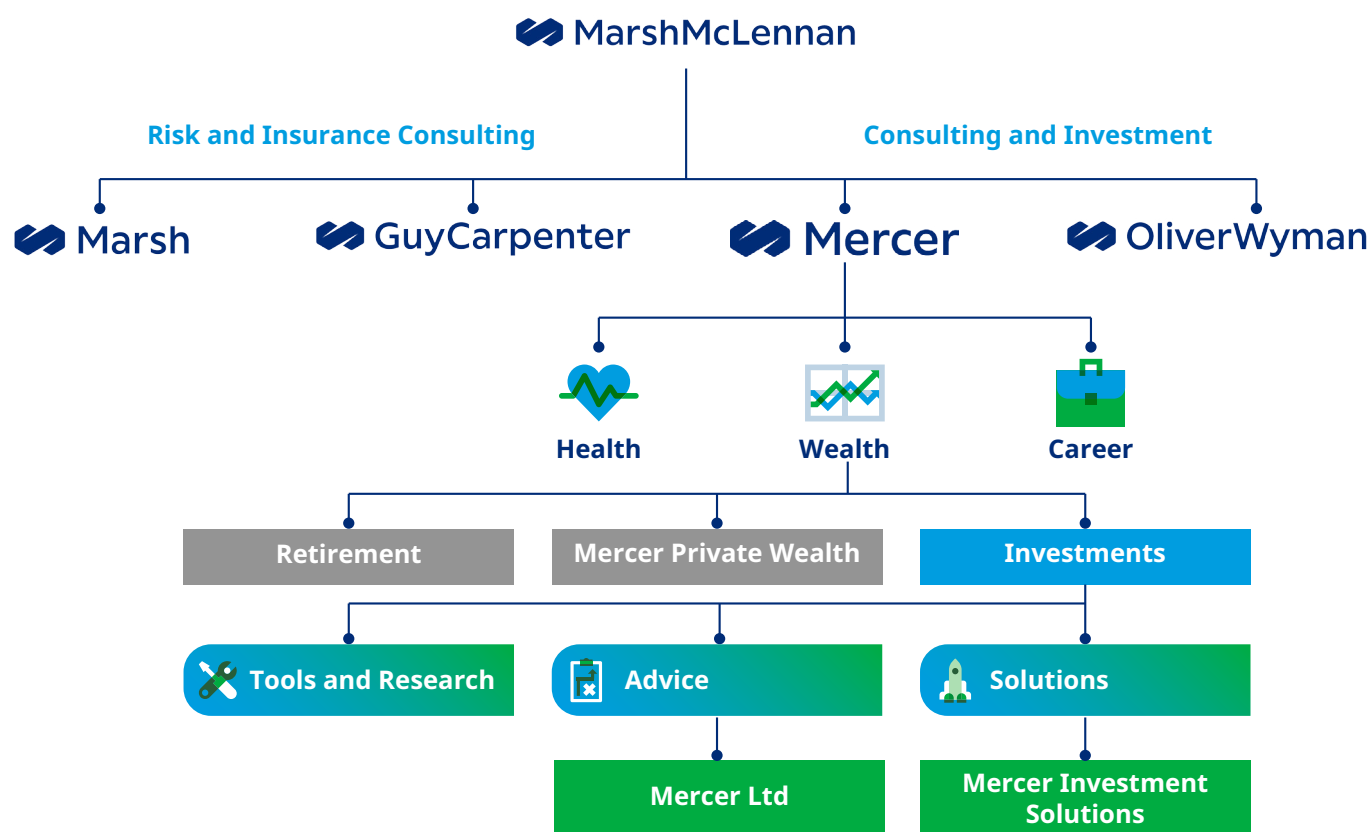
We hold our investment managers accountable for integrating sustainability considerations into their investment processes and adopting robust governance and stewardship practices. As part of our assessment, we monitor their overall stewardship activity and evaluate their approach to particular themes of interest.

Our structure, values, culture and philosophy

Mercer, as a subsidiary of Marsh & McLennan Companies Inc. ("Marsh McLennan"), shares Marsh McLennan's sustainability and climate-related ambitions and integrates its sustainability initiatives into strategy, decision-making and business processes.

The diagram below illustrates how Marsh McLennan is structured:

Governance structure for Marsh McLennan



Marsh McLennan has formally integrated considerations that promote business responsibility and create long-term value for stakeholders into decision-making processes since 2008. Marsh McLennan believes transparent and consistent disclosures enable better-informed business and investment decisions. In 2025, Marsh McLennan published its annual Business Responsibility Report⁶.

Marsh McLennan's primary focus is enabling the success of key stakeholders: clients, colleagues, investors and communities:

Clients: Across our company, we harness our expertise and unique set of capabilities to help clients take action on strengthening their organisations and driving change

⁶ <https://www.marshmclennan.com/web-assets/files-for-download/pdf-2024-marsh-mclennan-business-responsibility-report.pdf>

to meet challenges, capitalise on opportunities and achieve sustainable growth.

Colleagues: To empower our colleagues to be their best, we offer new opportunities to learn, develop and grow and to collaborate on innovative ideas that create impact for our clients and communities.

Communities: We strive to make a positive impact where we live and work. Marsh McLennan engages key stakeholders in the public and private sectors to pool expertise, resources and perspectives, helping our communities work toward common goals and mitigate shared risks.

To date, our approach to sustainability has been developed on a group basis; in respect of (a) Marsh McLennan as a whole, and (b) the Mercer group, which influences the advice and portfolio management provided to clients. We strive to do the right thing for our colleagues, clients and shareholders, while considering future generations too. This approach is inextricably linked to our investment philosophy, which aims to produce long-term performance for our clients while helping them manage an ever-expanding risk landscape.

The Greater Good – Code of Conduct

The Greater Good is our Code of Conduct and the cornerstone of our culture of integrity. It underpins our values, ethical commitments and standards of business integrity and professionalism. It supports colleagues in making decisions in situations where it may not be clear or easy. The Greater Good covers a range of topics including anti-corruption, data privacy, conflicts of interest, trade sanctions, money laundering prevention and social responsibility.

Our culture

At Mercer we thrive in a vibrant and inclusive culture where colleagues can be their best. As an investment management business, we're committed to attracting the most talented colleagues with a range of personal and professional experiences and providing fair access to opportunity for all colleagues. This includes a focus on:

- Providing learning and development programs that are open to all.
- Supporting Colleague Resource Groups and Networks.

- Celebrating commemorative dates and events at global and local levels.
- Designing benefits to be market-competitive and inclusive, and supporting all colleagues with resources.
- Nurturing talent acquisition partnerships that help us access all talent pools and hire the best talent

Our Colleague Resource Groups ("CRGs") are an important part of how Mercer builds a vibrant and inclusive culture. CRGs serve as open, voluntary, colleague-led communities that foster inclusion, enhance professional development and provide networking, mentorship and learning opportunities while ensuring alignment with the group's values and strategic priorities. We have CRGs across Mercer from the following communities: Racial and Ethnic Diversity, Women @ Mercer, Rising Professionals Network, AccessABILITIES, Social Impact, Mind Matter, Parents and Carers Together (PACT) and Pride. These CRGs work closely with their counterparts across Marsh McLennan's businesses for bigger impact.

As a growing business, with an ambition to be a top 10 investment firm by 2030 with assets under management in excess of \$1 trillion, ensuring we protect and enhance our culture as the business grows is an imperative for us. Mercer's Culture Club was established to engage colleagues from a social and professional perspective and currently operates four groups focusing on Generational Engagement, Mentoring & LiFT (Leadership in Financial Technology), Career Pathways and Recognising Performance. Numerous social events are hosted on a regular basis to enable colleagues to connect with one another outside business hours.

Mercer's Diversity & Inclusion (D&I) Council is tasked with developing and delivering on Mercer's D&I strategy plan. The Council has four high level objectives focused on Policies & Practices, Talent Management, External Advocacy and Listening & Learning.

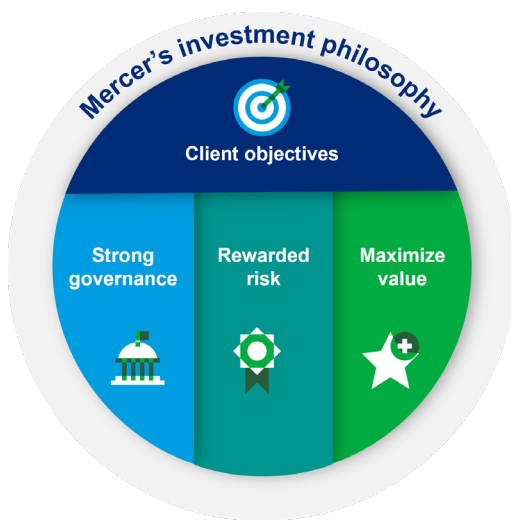
In June 2025, Mercer was recognised as one of [The Times Top 50 Employers for Gender Equality](#) for the third year running, highlighting our ongoing commitment to prioritising gender equality in the workplace.

Together, through the work of the various CRGs, Culture Club, and D&I Council, we aim to create a more engaging and inclusive working environment for colleagues.

Mercer's investment philosophy

Our philosophy enables us to set a clear top-down view on our approach to stewardship. The Mercer group's Investment Philosophy was reviewed during 2023 and the updated version was formally implemented in August 2024. This section covers our updated philosophy as this is fundamental to how we operate. We have revised our Investment Philosophy⁷ to reflect the evolving and dynamic investment environment in which both we and our clients operate. The Investment Philosophy outlined below serves as the foundation of our approach to help drive client success.

The Mercer group's Investment Philosophy



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

Client objectives – Aligning governance processes is essential

- 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 critical role

- 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 sustainability risks can enhance 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 systemic issues could 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.

⁷ <https://www.mercer.com/solutions/investments/investment-philosophy/>

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

Our Investment Philosophy is supported by the Mercer group's strategic research which has enabled the creation, refinement, and rollout of a variety of frameworks, tools

and improved disclosures targeting areas including stewardship, climate change, nature and diversity & inclusion. Through this approach Mercer has identified and addressed broad market and systemic risks and incorporated these sustainability considerations within our investment process.

Identifying Market-Wide and Systemic Risks

Annually, the Mercer group's Global Strategic Research Committee (GSRC) evaluates the pivotal investment themes and opportunities that will hold significance for investors in the upcoming calendar year. Our report, 'Swing State⁸', was published in November 2024 and helps set the research agenda for the coming year. Our research supports us in strategically positioning our investment portfolios and governance frameworks to enhance resilience against both short-term geopolitical and economic risks, as well as long-term systemic risks.

Swing State

Since 2020, a series of significant shocks to the global economy have dominated investor focus. The knock-on effects continue to reshape our world and have challenged conventional portfolio thinking. These impacts warrant consideration as the slower-burning repercussions are felt across portfolios. Equally, as the 'acute' phase of these events ends, it is time for investors to lengthen their perspective.

This year's report reflects look-forward views from an investment environment characterised by several potential swing dynamics:

- Market concentration levels have swung to a secular high.
- Rates have begun a downswing as inflation appears to have been brought under control.
- Government debt burdens in developed economies are at strained levels.
- Emissions continue to rise despite progress in cleaner technologies, due in part to increased energy demand.

In this paper, we outline some of the key themes and opportunities we see over the next five years and beyond: regime changes, super-cycles and megatrends.



⁸ [Investment themes and opportunities 2025](#)

Identifying and responding to global systemic risks

The Mercer group's GSRC Mega-trend theme for investors considers some of the key global systemic risks:

Swing State: Mega-trends

Transition today



- Transition is progressing at pace; in 2025, renewables are set to generate more electricity than coal for the first time, and investments in clean-energy technologies now far outweigh those in fossil fuel energy related projects.
- Investment needs to accelerate further, and there are many opportunities for investors in next-generation infrastructure and technology.

The circular economy



- By integrating circularity into their operations, businesses can unlock substantial cost savings, reduce environmental impact, position themselves for long-term resilience and improve the resilience of their supply chains.
- Governments are also increasingly considering regulations that encourage circular economy principles.

The natural (re)order



- Many investors are balancing competing demands by incorporating climate and biodiversity considerations into their portfolios. Over the long term, we expect that government policy and social expectations will grow so that investors and corporations take account of how to maintain and improve the natural environment.
- To address these complex demands, investment stewardship is key. Investors should engage with companies on nature-related issues.
- Investors should consider the case for funds focused on regenerative agriculture, sustainable forestry and other nature positive opportunities.

AI into everything



- AI experienced a breakout year in 2023, leading to market index concentrations. However, there is also a rapidly developing world of emerging tech companies and other market segments that utilise AI.
- Current applications represent only a fraction of what's possible, and future developments will significantly expand AI's impact on industries. AI presents a compelling investment opportunity across multiple sectors.
- Whilst AI is a valuable tool in solving sustainability challenges, we should also note the increases in emissions that can result from its power needs.

Prioritising action on climate change and transition

Mercer believes climate change poses a systemic risk, with financial impacts driven by both physical damages and the transition to a low carbon economy. Both changes present both risks and opportunities to investors. Further information about Mercer's approach to climate change can be found in Mercer's public report on climate-related disclosures⁹.

Our approach to managing climate-related financial risks and opportunities is consistent with the International Sustainability Standards Board's standards on climate, which incorporate the recommendations of the legacy Task Force on Climate-related Financial Disclosures (TCFD).

We further support a growing number of our clients who report against the TCFD framework's four elements on an annual basis and encourage our investment managers to adopt this framework as well.

The possibility of climate-related factors leading to sudden market repricing underscores the need for action to keep climate policies up to date and, if applicable, adjust investment strategies. We continue to engage with investment managers in line with our climate engagement framework and consider the following approaches within our investment approach to support the climate transition:

⁹ <https://investment-solutions.mercer.com/content/dam/merc-subdomains/delegated-solutions/CorporatePolicies/Task%20Force%20on%20Climate-related%20Financial%20Disclosures.pdf>

Stewardship

Engage with companies on transition issues, via collaborative initiatives, by utilising voting rights and engagement (typically via investment managers).



Capital allocation

Allocate investment to low carbon / sustainable solutions (including nature themes) and monitor relevant developments and prices.



Integration for resilience

Incorporate climate scenario and transition analysis into strategy and portfolio construction decisions, as well as the monitoring of market pricing.



Screening

Monitor high-carbon exposures where low transition capacity exists.



Over 2024, we took the following actions:

- Actively engaged with investment managers as part of our Climate Engagement Framework on their stewardship efforts with companies to support the transition.
- Continued to work with investment managers and monitor their commitment to promoting sustainability characteristics across Article 8 equity and fixed income funds.
- Continued to monitor and manage our multi-client multi-asset funds with net zero targets in line with their required pathways.

Our net zero target

In 2021, Mercer announced its aim to achieve net zero absolute portfolio carbon emissions by 2050 for discretionary model portfolios and for the majority of its multi-client, multi-asset funds domiciled in Ireland. We also established an expectation that portfolio carbon emissions intensity would reduce by 45% by 2030 from 2020 baseline levels.

Our climate transition plan is supported by scenario analysis and by our proprietary Analytics for Climate Transition (ACT) Framework. The ACT Framework is a strategic and forward-looking view of the risk and opportunities that may arise from a transition to a low carbon economy and supports us in positioning our portfolios to mitigate risks and identify opportunities in this global transition.

The ACT Framework further supports us in our stewardship activities by identifying portfolio exposures to companies with low through to high transition capacity, for engagement with investment managers on their stock selection decisions and discharging their stewardship responsibilities.

During 2024, we continued to enhance the tool by enhancing sovereign carbon metrics and developing carbon footprint attribution analysis.

We are pleased to note that as of 31 December 2024, all 16 of our multi-asset funds with net zero targets are on track to meet the carbon intensity reduction required to meet our 2030 and 2050 targets. Progress over the first four years has largely been driven by climate-related commitments made for the majority of our building block equity and fixed income multi-client funds as part of our Article 8 disclosures under the SFDR.

An evolving definition for the climate transition

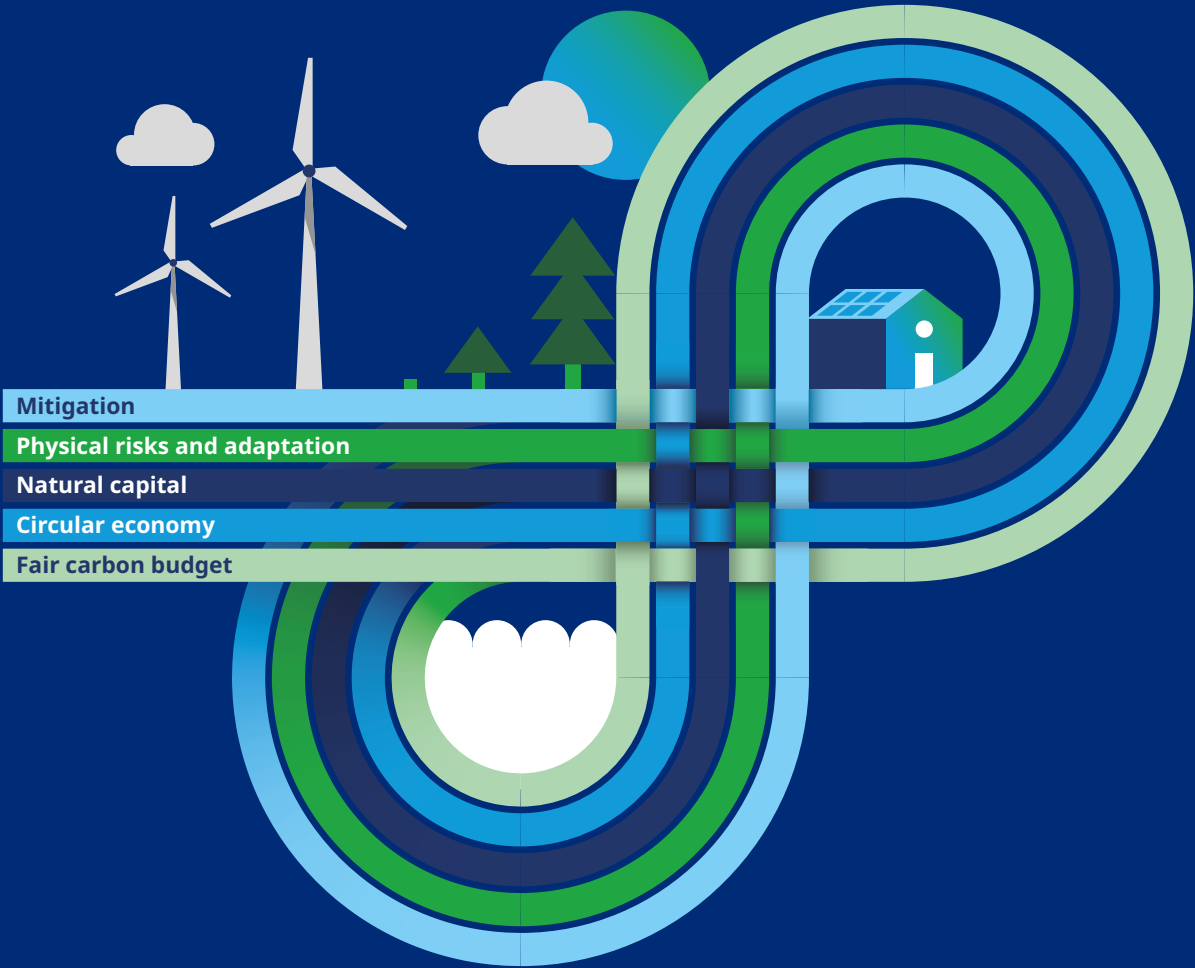
In November 2023, the Mercer group published a paper called Transition Today¹⁰. Given the interdependencies and prevailing gaps between climate change mitigation and adaptation, nature conservation, fairness, and equity, a broader definition of the climate transition is proposed. This should be one that expands beyond carbon reduction to address the issues of nature loss, physical risks, and adaptation. Any definition should also encompass engagement in the circular economy and support for the principles of equality for sustainable development.

In 2024, we published our follow up paper, State of Transition¹¹, examining the state of progress made towards the transition, focussing on trends in the energy sector and evaluating specific transition themes. We find that while markets have been volatile in recent years due to geopolitical events, the climate transition continues to gather momentum.

¹⁰ insightcommunity.mercer.com/api/v1/uploads/COP_28_Transition_of_portfolios_e51591e3ce.pdf?public=false

¹¹ [COP_29_Transition_today_e2e8c7e79e.pdf](#)

On balance, we see evidence that progress towards the climate transition continues in the face of short-term volatility and political uncertainty. Further, our data suggests that despite its many challenges, the momentum that the transition has built to date remains robust.



Mitigation	Physical risks and adaptation	Natural capital	Circular economy	Fair carbon budget
Reducing emissions and greenhouse gases to support progress to net zero Addresses cause <i>Scales clean energy and drives energy efficiency</i>	Adjusting to actual and expected climate change risks Addresses symptom <i>Supports disaster management of severe flood and wildfire events, and communities at risk</i>	Investing in natural capital — the assets that nature provides — to support climate mitigation Addresses cause <i>Reduces deforestation; supports reforestation, regenerative agriculture and food security; and protects biodiversity and water quality</i>	Reducing waste, moving away from a “take, make, waste” economy Addresses cause <i>Targets zero waste by utilizing resources already in use, such as plastics</i>	Allocating the global carbon budget equitably, a core lever in channelling capital flows from the global North to South Addresses symptom <i>Factors in sector and regional differences to the development of sustainable infrastructure</i>

Focusing on nature

Environmental degradation is not a new challenge, but the scale of biodiversity loss, degradation of ecosystems, soil depletion, pollution, and loss of arable land resulting from land use, natural resource exploitation, pollution, invasive species, and climate effects is unprecedented¹². Nature has therefore risen in prominence as a significant investment theme as policymakers, campaigners and wider society seek to preserve and restore the world's oceans, forests, species, and natural habitats. The expectations on investors were made clear in September 2023 when the Taskforce on Nature-related Financial Disclosures (TNFD) published its final recommendations.

We are committed to integrating nature into our investment portfolios in line with the TNFD framework. This is vital given the fact that the reversal of biodiversity loss and the restoration of biodiverse ecosystems are fundamental to achieving a successful climate transition.

Our view is that investment stewardship is a vital tool that asset owners can use to promote nature positivity in their investment portfolios. To bring about change

In addition, Mercer has also prioritised themes relating to human rights and labour practices and diversity and inclusion with core themes for engagement with investment managers listed below:

through active ownership, we include nature and biodiversity within our stewardship priorities. This includes the development of our Nature Engagement Framework, which involves engaging with investment managers to encourage them to prioritise nature-related engagements.

Over 2024, we took the following actions:

- Continued to assess the progress investment managers are making towards considering nature and biodiversity risks and opportunities through our Annual Engagement Survey on Sustainability and Stewardship. Please see highlights covering where investment managers are on their journey later in the section on "Monitoring investment managers".
- Initiated engagements with investment managers holding companies identified as part of our Nature Engagement Framework to monitor the approach they are taking to identify and manage nature-related risks and any engagements they are having with companies deemed to be sensitive to nature-related risks.

Mercer Engagement Themes		
Environmental 	Social 	Governance 
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.	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.	Diversity & Inclusion (D&I) Including cognitive and identity diversity in decision-making processes is expected to create better outcomes and solutions.
Biodiversity & Natural capital Destruction of biodiversity and the environment is a key risk to all business, as economies are highly dependent on nature. There are direct links between the environment and financial markets that relate to the interrelationship between nature and climate change. Particularly, addressing nature loss and achieving net zero climate objectives go hand in hand.		

¹² https://insightcommunity.mercer.com/research/638e8bb28ea0e2002136c5bf/Mercer_Nature_alert_the_next_major_environmental_social_and_governance_ESG_theme_1

More detail on how we have considered these themes in our investment process, in our engagements with investment managers and how our investment managers have considered them in their investment approaches and in their engagements with issuers is provided later in the section on “Monitoring investment managers”

Collaborative Engagement

Mercer recognises the importance of supporting the functioning of markets through industry initiatives and collaboration. We believe that appropriate investor collaboration is often the most effective manner in which to engage, particularly at times of significant corporate or wider economic concerns. We undertake policy engagement through different initiatives and associations to drive best practice, consistency of disclosure on sustainability issues and on topics that are considered aligned with the best interests of our clients. We choose to participate in initiatives 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.

Globally, the Mercer group is party to a number of collaborative investor initiatives and engagements where:

- The topic has been deemed important after being assessed alongside other key themes.
- The objective of the engagement would be better achieved through involvement in local and global initiatives that facilitate collaborative engagement where these mechanisms have a more significant potential to influence outcomes.
- The engagement coordinator is one or more reputable membership organisations, typically where a Mercer entity is already a member and is therefore more likely to demonstrate credibility and positive reputation associations for the Mercer group and its clients.



Over 2024, the Mercer group collaborated with several industry groups to improve market wide practices and manage systemic risks. A few key examples of our participation are noted below:

Initiative	Involvement, activity and outcomes
Broad Sustainability	
Investment Consultant's Sustainability Working Group	As well as co-chairing the Steering Committee in 2024, the Mercer group is an active member of several work streams, including those focused on developing consistency in data collection and reporting (standardise) and engaging with regulators and policy makers (influence). Focus areas over 2024 have included producing a derivatives emissions reporting guide and developing consistent policy positions to facilitate more effective interaction with regulators.
Climate change	
Institutional Investors Group on Climate Change (IIGCC)	Mercer has participated in member working groups focusing on Renewable Energy, the Just Transition and Emerging Markets.
Climate Action 100+	Mercer continues to leverage research and insights from CA100+ to support its Climate Engagement Framework and resulting engagements.
Nature	
Task Force on Nature-Related Financial Disclosures (TNFD)	The Mercer group is a Forum member. Marsh McLennan provided a senior colleague with a secondment opportunity to work with the TNFD to help in the development of the framework during its initial development in 2023.
Nature Action 100	Mercer is a founding signatory of Nature Action 100 having signed all letters setting forth investor expectations of those companies identified for engagement.
Diversity	
30% Club – UK and Irish Chapters	The Mercer group is a member of this club in separate corporate and investor capacities. Under the investor capacities, Mercer is represented on both the UK and Irish Investor Chapters, with it being a founding member of the latter. More recently, several Investor Chapters have come together to support global collaboration, using the PRI's Collaboration Platform, with a representative from Mercer acting as coordinator.
Impact	
Global Impact Investing Network (GIIN)	The Mercer group is an active member having participated in the Listed Equities Working Group culminating in Guidance for Pursuing Impact in Listed Equities which was published in March 2023. This included the role stewardship could play in amplifying impact. Over 2024 the Mercer group provided feedback on various GIIN impact tools and working themes such as climate solutions.

The Mercer group was also a signatory to, supporter of, or participant in the following initiatives over 2024:

- Principles for Responsible Investment (PRI)
- Task Force on Climate Related Financial Disclosures (TCFD)
- UK Sustainable Investment & Finance (UKSIF)
- Transition Pathway Initiative (TPI)
- Carbon Disclosure Project (CDP)
- The Diversity Project
- Pensions for Purpose

02

Governance, resources and incentives



The Mercer group has a governance and management structure that enables the effective integration of sustainability and stewardship related considerations across research activities, investment advice and solutions. This includes creating roles and responsibilities that are specifically focused on sustainability, establishing cross-functional working groups and engaging with colleagues, clients and stakeholders to ensure that sustainability considerations are integrated across the business.

Responsibilities are allocated at board and management levels, with a number of key roles and committees in place to support the effective governance and integration of sustainability and stewardship related considerations across the organisation.

Governance structure

Notable committees and roles governing our approach, along with the core responsibilities of each, are provided below:

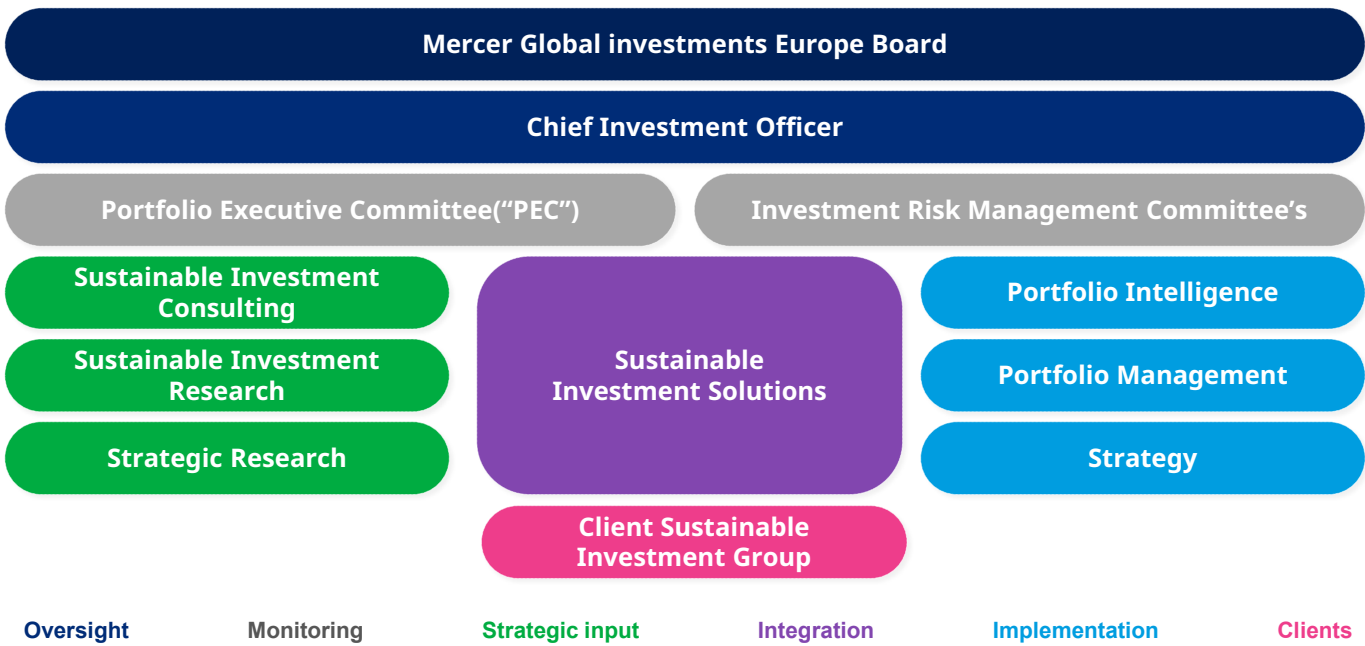
Role	Area of responsibility
Board of Directors	Oversight responsibility for the investment management of the Mercer funds. The Board receives updates on sustainability and stewardship activities as part of annual updates on the implementation of the Sustainability and Stewardship Policies.
Chief Investment Officer (CIO)	Sets the tone and expectations of and provides direction to management committees and portfolio managers on the implementation of the Sustainability and Stewardship Policies. The CIO reviews and assesses results and reports regularly to the Board and senior leadership. The CIO is actively supported by the Head of Sustainable Investment (SI) Solutions for Europe.
Portfolio Executive Committee (PEC)	Chaired by the CIO of MGIE, this committee consists of senior members from the Strategy, Portfolio Management, SI Solutions and Client Teams who are responsible for ensuring the successful implementation of Mercer's Sustainability and Stewardship Policies.
Investment Risk Committees	Asset class and client segment specific committees responsible for the monitoring of funds' progress against their sustainability targets and commitments (e.g. net zero targets, SI commitments for funds that disclose under Article 8 of the EU's Sustainable Finance Disclosure Regulation (SFDR)).
Global Head of Sustainability	Oversight responsibility for Mercer's Sustainability value proposition and positioning, embedding sustainability in client journeys and driving practical, relevant and value-added outcomes.
Head of Sustainable Investment (SI) Solutions for Europe	Provides strategic direction to the SI Solutions team and broader investment business on the integration of sustainability considerations and oversees the implementation of Mercer's Sustainability and Stewardship Policies.
Head of Sustainable Investment Research	Integrates stewardship considerations into Mercer's Manager Research process, which supports portfolio management teams in the investment manager selection process and in monitoring investment managers against the investment manager universe.

Management structure

Our approach to incorporating sustainability and stewardship considerations combines the Mercer group's global sustainable investment and strategic and manager research expertise with portfolio management and portfolio analytics to implement a meaningful approach to incorporating sustainability and stewardship considerations within our investment process and help clients meet their regulatory requirements. Our teams have proven experience in sustainable investment, supporting the implementation of Mercer's sustainability-related policies while continuing to meet client and fund investment objectives.

The diagram below illustrates the organisational structure and identifies key resources applied to Mercer’s sustainability and stewardship services.

Key resources supporting Mercer’s stewardship activities across the investment process



Global Sustainable Investment (SI) Consulting team

The Mercer group's specialist global SI Consulting team continues to provide insights on best practice to Mercer. The SI Consulting team was formed in 2004 and has extensive experience advising leading global institutions on sustainability considerations, stewardship, impact and climate change. The team currently has 21 dedicated and experienced professionals and a network of over 50 SI champions across the globe.

The SI Consulting team's responsibilities with regards to stewardship include understanding and integrating global stewardship expectations into our research, developing and maintaining our stewardship assessment criteria, reviewing investment manager practice against global stewardship codes, developing client reporting templates and advising asset owners on their approach to stewardship. The SI Consulting team works closely with strategic research, manager research, investment consulting colleagues and the SI Solutions team to deliver stewardship insights.

The SI Consulting team has extensive experience advising on stewardship with several team members providing advice on stewardship since the launch of the UK Stewardship Code back in 2010, as well as subsequent regional codes, such as the Australian and the Japanese codes. The team has advised many asset owners on their stewardship approach and disclosures. The diverse nature of the team, by gender, background, experience and thought supports the provision of well-rounded advice. The team's varied experience includes a mix from those with investment and broad sustainability research-focused backgrounds to those with specialisms in corporate governance, engagement, policy development, impact measurement and climate change.

Global Sustainable Investment (SI) Research team

Provides thought leadership and guidance on the integration of sustainability risks and opportunities across asset classes & insights on sustainability-themed strategies (incl. climate, biodiversity and natural capital).

Global Strategic Research team

Provides thought leadership and implementation guidance on emerging themes and opportunities including those focused on sustainability themes and opportunities.

Sustainable Investment (SI) Solutions team

Focuses on integrating sustainability related considerations into the investment process and throughout the Mercer funds and other solutions, guided by Mercer's Sustainability and Stewardship Policies. While stewardship considerations are included in the remit of all team members who have various specialisms, the team includes a senior stewardship specialist, with over 17 years' industry experience, seven of which have been spent at Mercer in a sustainability-focused role. The second member is a stewardship associate, with over eight years' industry experience, three of which have been spent at Mercer. Together, and with the support of others from the team and across the broader business, these team members focus on developing and integrating Mercer's stewardship framework within the broader investment process and across the broader investment team. In November 2024, Mercer completed its acquisition of Cardano, which will bring additional talent and capabilities in the sustainability and stewardship space to the team.

Client Sustainable Investment (SI) Group

The Client SI Group, which consists of five members from the client team, supports clients along their investment journey in achieving their sustainability goals and meeting their regulatory requirements. The team works closely with the SI Solutions team in supporting clients with incorporating and evidencing sustainability considerations across their portfolios and in meeting their regulatory requirements, such as through TCFD reporting and in the preparation of annual Implementation Statements.

Aligned Incentives

All SI Solutions team members, and those in Mercer with specific responsibility for integrating sustainability and stewardship related considerations into investment processes, have annual performance goals aligned with the successful implementation of these considerations. These goals include supporting the development of sustainability-related research and tools and integrating sustainability considerations, including climate change, stewardship, and other considerations, across our solutions while supporting our clients in delivering on their sustainability-related ambitions. More specifically, these goals influence year-end assessments.

Training

We recognise that our people are our most valuable asset, and we encourage colleagues to participate in development opportunities to support them in their growth and progress towards furthering their ambitions. There are numerous opportunities provided across various platforms, including the below.

- **Conferences, seminars and workshops:** Held locally, nationally and internationally, these are offered on a regular basis to allow employees to learn while they informally network with industry colleagues and share experiences.
- **Sustainability-focussed training:** To embed sustainability throughout our business, SI-focussed colleagues and champions from across the Mercer group, ensure that our colleagues can participate in formal or informal internal training sessions that specifically address various sustainability themes relevant to their particular area of work. Throughout 2024, the training sessions were centred around several key topics, including SFDR, climate, biodiversity and natural capital, exclusions and screening, as well as stewardship approaches, outcomes and reporting.
- **Mercer Learning Days:** Once a year, Mercer designates a day towards professional development. On that day, colleagues are encouraged to get together virtually or in their offices to learn skills and gain insights on topics of particular relevance and interest to them. This helps all of our colleagues keep on top of the latest trends in our industry as well as learn from thought-leaders and subject matter experts.
- **Training videos and courses:** Our employees have access to hundreds of training courses internally and externally through a web-based tool. Our courses are constantly evaluated to monitor their effectiveness and ensure consistency with our business aims.
- **Professional credentials:** We encourage our teams to work towards getting professional credentials that can support them in staying abreast of developments within the industry. In particular, we encourage our investment professionals to sit the CFA ESG and CFA Certificate in Climate Investing certificates, which helps enhance knowledge on sustainability and climate-related topics, as well as the significance of stewardship in achieving asset owners' sustainability-related goals and aspirations.
- **External industry events:** We actively support our colleagues in attending industry webinars and conferences, enabling them to stay informed about the latest insights and trends. We also encourage the sharing of key findings from these events with colleagues across our communication platforms, fostering a culture of knowledge exchange and collaboration. Colleagues are also encouraged to represent the Mercer group at these events, where relevant.
- **Knowledge sharing:** There is ongoing collaboration and information sharing between multiple teams across the business. Furthermore, regular updates on sustainability-related industry developments are provided through our internal communications platforms.
- **Learn, Share, Connect:** As a part of the Mercer group's Global Investment Forums, investment colleagues actively engage in a series of online sessions called "Learn, Share, Connect". These sessions are led by investment managers and serve

as a platform for our colleagues and clients to stay informed about the latest investment ideas and innovations. Many of these sessions specifically focus on sustainability-related topics, including the energy transition, sustainable development, natural capital, and improved governance. They provide a valuable opportunity for knowledge sharing and staying up to date with advancements in sustainable investing.

Diversity & Inclusion

At Mercer, we are committed to attracting the most talented colleagues with a range of personal and professional experiences and providing fair access to opportunity for all colleagues.

We support a vibrant and inclusive culture by:

- Providing learning and development programmes that are open to all.
- Supporting Colleague Resource Groups and Networks.
- Celebrating commemorative dates and events at global and local levels.
- Designing benefits to be market-competitive and inclusive, and supporting all colleagues with resources like our Employee Assistance Programme.
- Nurturing talent acquisition partnerships that help us access all talent pools and hire the best talent.

Marsh McLennan monitors key metrics — gender and ethnic and racial diversity (representation, hiring, promotion, key roles/people managers and revenue generators) on a quarterly basis to ensure positive progression or make adjustments, if needed.

We foster a supportive work environment that values different perspectives, experiences and backgrounds. This includes training programmes and workshops, mentorship and sponsorship programmes, established colleague resource groups (CRGs), each with their own Executive sponsor, and Colleague Networks (CNs). These groups have their own communities, host events, panel discussions, roadshows and webinars, and use national days to educate and raise awareness.

We address unconscious biases in decision making processes, such as performance evaluations and promotions, by providing training and resources, supplemented with detailed analysis and review to challenge bias.

Our commitment to Inclusion is evident through the following initiatives:

- Active participation in [The Diversity Project](#) and Catalyst Education Program
- Recognition as one of the Times Top 50 Employers for Gender Equality (2025).
- Signatories of the HM Treasury's [Women in Finance Charter](#).
- Achievement of Disability Confident employer status.
- Being awarded Autism Confident status.
- Ranking in the Top 100 Stonewall Workplace Employer Index.
- Signatories of the Armed Forces Covenant, achieving Gold Status in the Defence Employer Recognition Scheme.

At Mercer, we have a D&I Advisory Council and Culture Club, and it is mandated that they receive sponsorship from an Executive sponsor from our senior leadership team. Over 2024 and into 2025, amongst other things, our Advisory Council and Culture Club focussed on:

- Our **External Advocacy group** has been actively engaging external stakeholders to demonstrate our commitment to D&I including through in person and virtual events including “breaking into the finance industry” with the social mobility charity UpReach and participation in a number of industry awards, with our very own Mercer International D&I Leader receiving the Women in Pensions, LGBT+ trailblazer award and LGBT Great 100 Gamechangers. The team continues to participate in the Pathway Programme, which focuses on unlocking female talent in the investment management industry and as part of the Pathway and Diversity Projects, hosted an external event promoting D&I which was attended by 70 participants.

- Our **Talent Management group** continues to progress our approach to data collection across our various teams, with D&I goals now standard practice as part of the goal setting progress. The group has also been actively involved in a number of initiatives from school mentoring to social mobility programmes (e.g. UpReach).
- Our **Listening and Learning group** conducted training focussing on cultural diversity and social diversity, connecting D&I topics with personal stories to promote D&I through internal newsletters and has also collaborated with Mercer's Culture Club on training and newsletters.
- Finally, our **Policies and Practices group** has been reviewing and addressing inconsistencies in our policies and practices across locations, particularly with regard to our maternity and paternity policies and enhancements to Family Leave policies.

Embedding Sustainability & Stewardship in Systems, Processes, Research and Tools

To support comprehensive assessments of our investments and facilitate effective investment manager engagements, we leverage third-party data across various areas.

Third-Party Providers

Third-Party provider

Glass Lewis	Glass Lewis provides insights and disclosure on the voting activities across Mercer's fund range that have voting rights attached to them. Further insights on controversial votes and engagement activities conducted by Glass Lewis are also shared.
ISS-Ethix	ISS-Ethix provides research to support portfolio screening for high-severity sustainability-related risks flagged by various global norms and inform exclusion decisions across a number of funds within Mercer's fund range. ISS-Ethix also provides data to enable UN Sustainable Development Goal (SDG) alignment analysis and metrics used in Mercer's Analytics for Climate Transition (ACT) tool.
MSCI	MSCI ESG Research provides a variety of sustainability-related data, including company-level ESG ratings, climate, biodiversity and D&I related metrics, as well as principal adverse impact indicators which supports in monitoring the sustainability characteristics of funds under the SFDR. Metrics are also used as an input to the ACT tool which supports monitoring the transition capacity of portfolios, key climate-related metrics, and progress towards net zero..
State Street	State Street continues to support meeting reporting requirements in relation to SFDR and other regulations (e.g. MiFID II).
Resolve & Dasseti	Resolve and Dasseti provide data management solutions to assist with complex administrative and regulatory and voluntary reporting tasks by enhancing communication with our investment managers in relation to, among other things, exclusions and stewardship activities.

We regularly evaluate our tools, systems and processes to ensure that we are delivering high-quality data and insights to our clients.

Evolving the Mercer group's ESG integration and stewardship framework for manager due diligence

The Mercer group's manager ESG ratings, which assessed the extent to which ESG, and stewardship is incorporated into the investment process of investment managers, have been a success since we introduced them at the strategy level in 2008 and an important input into the investment process and in informing manager selection decisions.

Since then, the investment management industry has evolved and integrating financially material ESG factors has become mainstream. As part of this evolution, in 2025 we introduced a new integration framework in our manager research due diligence that has replaced the previous strategy-level ESG ratings. The framework includes a strategy level dashboard report to help isolate specific criteria, and a manager level stewardship overview.

Mercer's Stewardship Framework

Mercer's Stewardship Framework includes a manager level stewardship overview that includes categories such as policies & commitment, governance & resources, engagement process, monitoring outcomes, and collaboration, which will be used to support the monitoring and oversight of investment managers' stewardship approaches.

Total no of questions*	Category	Sub-category	Areas where policy/process is in place**				
3	Policies & Goals	Policies	☐	☐	☐		
2		Goals	☐	☐			
2	Governance & Resources	Governance	☐				
2		Stewardship resources	☐	☐			
5	Engagement Process	Engagement program	☐	☐	☐	☐	☐
2		Milestones	☐	☐			
2		Escalation Process	☐	☐			
2	Monitoring Outcomes	Monitoring outcomes – public markets	☐	☐			
4		Monitoring outcomes – private markets	☐	NA	☐	☐	
3		Voting (equities only)	☐	☐	☐		
2	Collaborative Initiatives	Collaborative Initiatives	☐	☐			
3	Public Policy Advocacy	Public Policy Advocacy	☐	☐	☐		

* Total number of questions represent the questions under each category that requested a 'Yes/No' response from managers

** Shaded bars represent the number of questions where managers have responded yes

03

Conflicts of interest



Mercer recognises that the identification, avoidance or management and mitigation of conflicts of interest is an ongoing process. Mercer seeks to manage these conflicts primarily with policies and procedures that are designed to protect client interests as well as through disclosures. This includes in relation to our sustainability and stewardship related activities.

Our approach to managing conflicts over 2024 continued to meet the objective to identify key conflicts and mitigate their impact. As Mercer does not invest in companies directly, this however limits the potential for conflicts of interest in relation to stewardship.

Mercer's overall approach to Conflicts of Interest

Mercer has a Conflicts of Interest Policy¹³ for all colleagues and in recognition of best practice, it is kept under regular review.

All reasonable steps are taken to prevent conflicts of interest from adversely affecting the interests of our clients. Our Conflicts of Interest Policy explains how we identify, prevent and manage actual or potential

conflicts of interest, which may arise between our clients and ourselves, or between one client and another in circumstances where we are providing our products and services.

This policy details specific questions to take into account when considering whether a conflict of interest exists or has the potential to exist.

Mercer seeks to manage these conflicts through disclosure to the client and with policies and procedures that are designed to protect client interests. Where we believe the conflict cannot be managed appropriately, we will decline the engagement.

More information on and examples of areas where potential conflicts may occur is provided in our Conflicts of Interest Policy.

Conflicts of Interest and Stewardship

Our Conflicts of Interest Policy does not include specific reference to stewardship. As Mercer does not invest in companies directly, this limits the potential for conflicts of

¹³ Report (Vertical) ([mercerc.com](https://www.mercer.com))

interest in relation to stewardship. Instead, voting rights and responsibilities and company level engagements sit with the investment managers as laid out in investment management agreements, investment guidelines and mandates agreed by the client.

Potential conflicts that could arise in relation to stewardship include holdings related to Mercer's parent company stock, Marsh McLennan Companies, Inc, however this is mitigated as Mercer does not invest in companies directly. Another potential conflict could arise in relation to stewardship of holdings related to Mercer's clients with listed securities. However, this is also mitigated by Mercer not investing in companies directly; these decisions are taken by our investment managers, who normally are not privy to the identity of Mercer's clients.

Expectations of Investment Managers and their Conflicts of Interest Policies

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

As part of quarterly monitoring, investment managers are required to report on any conflicts of interest arising relating to voting activities specifically. Over 2024 we had 12 instances where investment managers reported voting on proxies where a potential conflict of interest was present for one or more of their holdings for the reported quarter. The majority of these cases related to situations where the investment manager was invested in different parts of the company's capital structure (e.g. common shares and debt), or cases where the issuer of the security with voting rights was a client of the investment manager. In all cases, investment managers provided details of the conflict and mitigation policies and processes in place to protect the interests of their clients, with final voting decisions made in accordance with their voting guidelines.



04

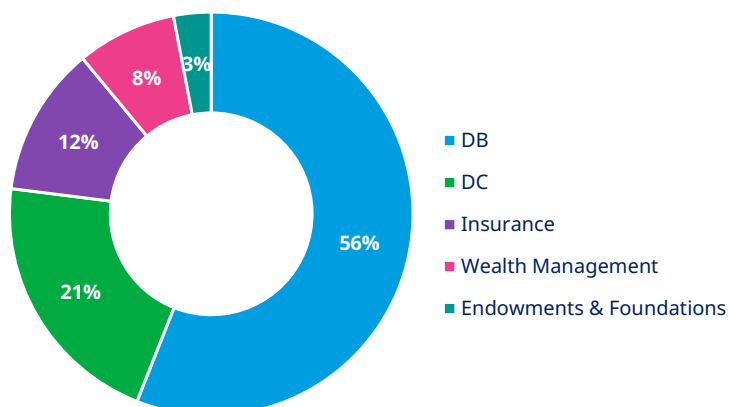
Client and beneficiary needs



We continue to see sustainability and stewardship considerations rise up the agenda for our clients, which largely consist of long-term institutional investors, including pension funds, insurance companies, endowments and foundations and private wealth managers. Therefore as 'universal owners' with a long-term time horizon, the consideration of investment governance and stewardship is of great importance.

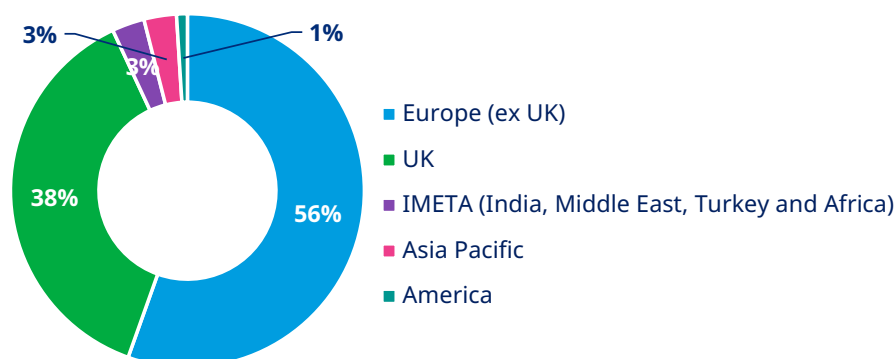
The charts below show the client, asset class and geographical breakdown of the Mercer assets under management (AUM) of c.£143bn as at 31 December 2024.

AUM by client type

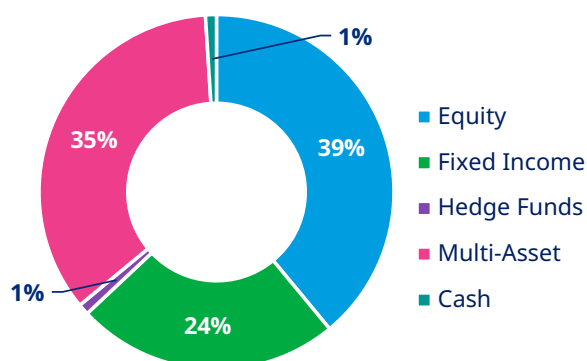


Source: Mercer. Data as at 31 Dec 2024

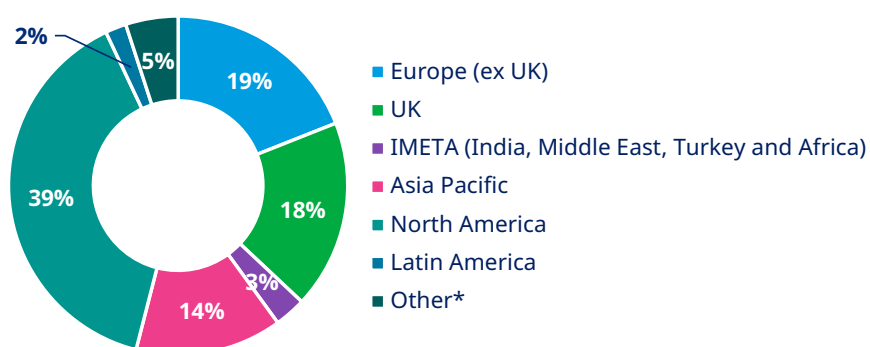
AUM across client geographical region



AUM across asset classes



AUM by country of exposure



Source: Mercer. Data as at 31 Dec 2024

* Other includes assets classified as Cash & Deposits, Derivatives & Other Assets & also assets which have N/A, World or no country of exposure data in MSCI Barraassets classified as Cash & Deposits, Derivatives & Other Assets & also assets which have N/A, World or no country of exposure data in MSCI Barra

Managing assets in line with clients' sustainability and stewardship policies and preferences

The majority of our clients have long time horizons and Mercer seeks to generate long-term sustainable returns to align with these horizons. When setting an investment strategy for a client we take into account their short, medium and long-term objectives and seek to ensure our overall approach, including sustainability and stewardship considerations, aligns with this.

Many of Mercer's clients invest in a fiduciary arrangement with Mercer appointed as discretionary investment manager with delegated responsibility for the day-to-day management of clients' assets. For the majority of these clients, assets are invested in a range of specialist multi-client funds, managed by investment managers appointed by Mercer. Under these arrangements, clients accept that they may not have the ability to directly influence the approach taken by investment managers to integrate sustainability and stewardship considerations, however, do expect Mercer to manage their assets in line with their best interests.

As a MiFID regulated firm, Mercer is required to gather client and prospect sustainability preferences as part of the suitability assessments for portfolio management activities. Gathering these preferences has allowed us to gain insights into our clients' expectations and requirements, enabling us to better align our funds' commitments and sustainability characteristics with our clients' preferences.

Supporting clients with their reporting requirements

Mercer may assist clients with drafting investment policies and in setting and managing their investment strategy in line with these. Regular reporting, including on sustainability and stewardship activities, is shared with clients to monitor the alignment of their investment policies with their strategy. These reports, and others covering how Mercer has integrated sustainability considerations across its investment process, are generally discussed at least annually with clients, with these interactions also providing an opportunity to gather feedback from clients on their needs and expectations.

The below highlights key areas where we have supported clients over 2024.

Focus Areas

Integration and monitoring of sustainability factors

- We support clients in understanding, integrating and monitoring sustainability risks and opportunities across their portfolios through monitoring and reporting on a variety of sustainability-related metrics which are shared with clients in quarterly and annual reporting.
- Our annual Sustainability Report provides insights and highlights on a number of sustainability-related topics (e.g. climate, diversity and stewardship) with specific reference to the Mercer multi-client funds each client has exposure to.

Stewardship monitoring

- Investment manager voting and engagement activities are monitored with reporting shared with clients to support them in the preparation of their Implementation Statements. Bespoke client reporting is also made available to clients looking for more detailed insights into the sustainability and stewardship activities of investment managers, which can further support them in benchmarking activities
-

Climate-related metrics analysis and net zero target setting

- We remain committed to addressing the risks and opportunities from climate change and in meeting our target of net zero absolute portfolio carbon emissions by 2050 for discretionary model portfolios and for the majority of our multi-client, multi-asset funds domiciled in Ireland.
- Our Analytics for Climate Transition (“ACT”) Framework remains instrumental in supporting us and a number of clients in establishing transition strategies to achieve net zero targets. The ACT Framework places significant emphasis on the importance of investor stewardship and supports investment managers with insights to actively engage with companies on their contribution to the low carbon transition. This further informs our Climate Engagement Framework which focusses on engaging with investment managers investing in companies with high carbon emissions.

Taskforce for Climate-Related Financial Disclosure (TCFD) reporting

- We report in line with the TCFD recommendations and are also supporting an increasing number of clients with the preparation of their own TCFD-aligned reports in accordance with the DWP’s Climate Change Governance and Reporting Regulations and on a voluntary basis, through the provision of climate-related metrics, climate scenario modelling and support in setting net zero transition pathways.

Implementation Statement support

- Through supporting clients in preparing their annual Implementation Statements, we contributed to the improvement of the oversight of voting and engagement activities conducted on our behalf by investment managers.
 - We continued to advocate for the use of industry-led data templates, such as the Pensions UK vote reporting template and the Investment Consultants Sustainability Working Group’s (ICSWG) engagement reporting guide.
-

Client case study

- Mercer has been working with an international Not for Profit client in the agriculture industry since 2016 in various capacities including through the provision of strategic investment advice and in the management of the investable assets of its Endowment fund.
- Together with the broader Mercer group, Mercer has supported the client in designing a robust Sustainable Investment Framework in line with the client’s mission and sustainable investment beliefs.
- This has included supporting the client with the design, implementation and monitoring of its net zero framework which includes a decarbonisation pathway (including interim emission targets at 5-year intervals from the 2020 baseline), which aligns with its long-term net zero target of 2040, which it is currently on track to achieve.
- The decarbonization progress of the client’s portfolio has largely been driven by changes in fund allocations within the portfolio along with decarbonization at an individual fund level.
- Mercer has also engaged with investment managers holding companies that are part of both Mercer’s Climate Engagement Framework, and the client’s portfolio, to support further decarbonization.
- More recently Mercer has supported the client in understanding how aligned its portfolio is to net zero with reference to the IIGCC’s PAII Net Zero Investment Framework 2.0, with the intention to prioritize stewardship activities in line with the guidance.

Communicating with Clients

Effective communication with clients is crucial for being successful in our role as investment managers. In addition to offering a range of reporting services to meet various sustainability and stewardship needs and ensure regulatory compliance; we strive to customise our communication to each client using a variety of methods and mediums. We actively engage with our clients through publications, webinars, reports, and regular communication.

We proactively highlight specific ideas that may be of interest to our clients, and we provide ad hoc reports to alert our clients to relevant changes in the investment environment. We strive to ensure that our clients are always aware of the latest developments.

We have invested significant resources in integrating our sustainability and stewardship resources throughout our investments business. This integration ensures that our communication is clear, concise, consistent, and tailored to the specific needs of our clients. Furthermore, our peer review process ensures that our work is accurate and appropriate for its intended audience.

We share our research and thought leadership through the MercerInsight Community, a digital platform that keeps investors up to date with the latest investment research, trends and innovations. The platform not only provides valuable insights from Mercer but also includes contributions from various third-party publishers and investment managers.

Client Views and Evaluating our Effectiveness

Our clients are our most important source of information on our innovation, quality, performance, and areas for improvement. As part of our commitment to being a leading provider of investment solutions and providing high-quality client service, and to discern the current level of client satisfaction, we formally and actively collect client input through:

- Client satisfaction reviews with our clients
- Continuous client/Mercer team interactions and requests for feedback.
- Meetings between Mercer senior executives and clients.

Client Experience Measurements (CEM): This is how we gather client feedback through independent reviews with clients. Reviews are conducted by a senior colleague independent of the day-to-day client team. We use the quantitative and qualitative feedback to create action plans for client teams as well as client satisfaction metrics that can be monitored for trends, helping us to continue to invest in our services and develop new solutions based on what we hear from clients. The CEM process includes questions tailored to a client's circumstance.

Client Experience Measurements

CEMs provide an opportunity for clients to feedback on our service, including whether we are meeting their stewardship needs, and support in identifying their key priorities. We aspire to an 8+ scoring on CEMs (on a scale of 1-10), remaining consistent over the last few years, which requires us to take the right action on lower scoring CEMs. Overall feedback from our clients was that they believe Mercer to be a trusted adviser, acting as a partner. We have also received positive feedback on the CEM process itself.

Informal dialogue with clients and consultant

feedback: Through our ongoing work and discussions with clients, we seek targeted feedback on how well we are delivering services for our clients. We actively encourage client-facing consultants to provide comments and feedback to our Client SI and SI Solutions teams on the challenges, needs and expectations of our clients. This ensures we develop our solutions in a way that best meets the needs of our clients and helps us to innovate and drive new ideas. The Sustainable Investment Co-Ordination Group, which meets monthly, further provides a platform for sharing.

Client engagement survey: Specifically focused on canvassing the views of Mercer clients across the UK and Europe on their views on sustainability considerations as part of the investment process, this survey is conducted tri-annually, with the last survey conducted in 2023. The survey provides insights on clients' views on the effectiveness of various approaches to incorporating sustainability considerations along with insights on their preferences for the prioritisation of different engagement themes.



Sustainability beliefs surveys: These are an important way to understand client preferences and their beliefs and views on a range of sustainability themes, implementation approaches and their views on how to be an effective active owner. We use the outputs to refine clients' investment policies and embed their key beliefs in strategic asset allocation and fund and manager selection decisions.

Working with clients: We work with clients who are recognised global sustainability leaders. Our interactions with these clients have played a crucial role in driving our proactive approach towards integrating sustainable investment considerations into our solutions. The valuable feedback we receive from our clients has been instrumental in enhancing our tools and integration of sustainability and stewardship across our portfolios and investment process.

Providing solutions: We manage a number of funds that promote sustainability characteristics in line with the requirements of the Sustainable Finance Disclosure Regulations (SFDR) in part due to client feedback and demand. These funds promote environmental and/or social characteristics while incorporating a number of exclusions based on our Sensitive Topics framework.

05

Review and assurance



With sustainability and stewardship requirements for both us and our clients ongoing, we continue to ensure that our policy review and assurance processes, and their documentation, remain fit for purpose.

Policy reviews: Mercer has a structured approach to reviewing and updating existing policies and frameworks. Policies generally undergo an annual review process with input from a broad range of stakeholders, review from the Head of SI Solutions for Europe and the CIO and approval by the Board.

There are typically three drivers that might lead to a review of, and change to underlying policies, processes or activities, namely changes in regulation, evolving best practice, and emerging sustainability themes. We provide recent examples of all three below:

Regulation

- **Sustainable Finance Disclosure Regulation:** We continue to enhance various monitoring and oversight procedures that enable us to deliver on our SFDR commitments. These include regular reviews with

our portfolio management and portfolio intelligence teams to review climate metrics, level of sustainable investments, exclusions and various principal adverse impacts.

- **General Code:** We continue to support clients in the preparation of their implementation statements to support them in meeting the stewardship requirements of the General Code through the provision of quality reporting and disclosure of voting and engagement activity by our investment managers.

Best Practices

- **Mercer group's ESG Integration and Stewardship Framework:** As integrating financially material ESG factors has become mainstream, the Mercer group has replaced previous strategy-level ESG ratings with a new integration framework in our manager research due diligence process. The framework includes a strategy level dashboard report to help isolate specific criteria, and a manager level stewardship overview.
- **Climate engagement target list:** We continue to believe that effective stewardship plays an important role in improving investment outcomes and in

supporting us in progressing towards our net zero target. We continue to review and update the metrics and methodology used to support us in identifying priority holdings for engagement on climate risk with our investment managers. This has included consideration of industry guidance such as the IIGCC's Net Zero Investment Framework 2.0.

Key themes

- **Climate:** We have seen ongoing advancements in data and frameworks related to climate change, enabling us to enhance our proprietary tools and provide better insights to our portfolio managers and clients. We leverage technology to expand the utilisation of our Analytics for Climate Transition (ACT) tool, as we observe a growing demand from clients for climate-related metrics and transition-related analytics. Moving forward, we will be introducing nature and biodiversity portfolio indicators in our tools and conducting further research in this field.

Policy compliance: Compliance against policy principles is formally monitored via quarterly Investment Risk Management Committees, each focusing on specific asset classes and client segments. The Portfolio Executive Committee and Compliance function provides further oversight for monitoring the successful implementation of Mercer's Sustainability Policy with annual updates on policy implementation provided to the Board.

Internal Audit: The Mercer group is subject to annual internal audit reviews conducted by the Marsh McLennan (MMC) Internal Audit & Control function. An internal audit plan is prepared based on the business risk model and incorporates Mercer. Internal Audit will present its audit plan to the Mercer Audit Committee on an annual basis who will either sign off on the proposed plan for implementation to commence, or request specific changes be made. To gain independence from management, Internal Audit has a direct reporting line into the Audit Committee of the Board of Directors of MMC. The company also prepares a Controls Report in accordance with the International Standard on Assurance Engagements ISAE 3402 "Assurance Reports on Controls at a Service Organisation" and there have been no exceptions noted.

External Audit and Review: Mercer is subject to ongoing financial audit by its external auditors. The external auditors periodically report to the Board and senior management.

Quality assurance: Finally, our improvement initiatives are shaped by our quality assurance processes, through which we gather client feedback and apply it to service improvements and enhancements. This includes Client Experience Measurement (CEM) reviews to gather qualitative and quantitative feedback on our performance, both face-to-face with clients and via client satisfaction surveys.

Internal assurance

Mercer follows a 'Three Lines of Defence' model to manage risk across the business. This allows us to identify, assess and manage risks in a proportionate manner, while meeting client, shareholder and regulatory expectations.

1. The first line of defence is undertaken within the relevant business function which owns and manages risk. In this context, the SI Solutions team and portfolio managers are expected to follow policies and procedures to support effective integration of sustainability considerations and stewardship.
2. The second line of defence is the risk and compliance teams overseeing the management of risk and compliance with regulatory requirements. Along with the annual review of policies relating to sustainability and stewardship, the compliance team undertakes periodic monitoring reviews to monitor how well risks are being managed and assess how effectively policies have been implemented.
3. The third line of defence is the internal audit team or other functions that might provide independent assurance.

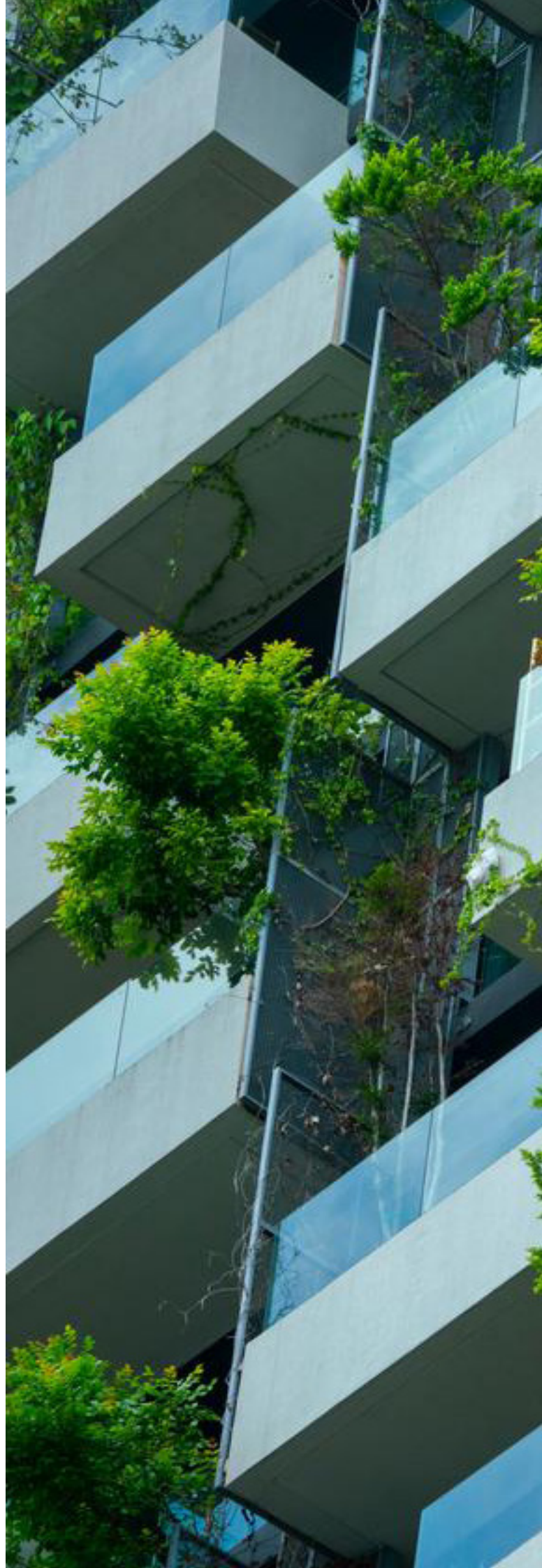
The SI Solutions team has regular dialogue with compliance and audit teams to continuously assess and strengthen our internal assurance processes.

Our clients and investment managers may also take a number of approaches to assurance with both external and internal assurance undertaken on their sustainability and stewardship activities. Many also seek legal advice on documents such as their Statements of Investment Principles, Implementation Statements and TCFD reports. Feedback from external reviews is considered in the development of our solutions and in our reporting to clients.

Given ongoing regulatory developments, we will continue to review and develop our policies, processes and activities and strengthen assurance processes to ensure they remain fit for purpose.

Ensuring Sustainability and Stewardship Reporting is Fair, Balanced and Understandable

All regular reporting provided to clients is subject to our peer review process to ensure effective client communications. The process includes three stages: 'do', 'check' and 'peer review'. The review stage is undertaken by a colleague who has the necessary skills and knowledge but was not involved in producing the report. This approach, along with clear research, analysis, monitoring frameworks and internal stewardship processes, is key to ensuring reporting is fair, balanced and understandable.



06

Monitoring investment managers



Overall approach

Mercer appoints investment managers that are expected to adopt sustainability and stewardship practices that include a focus on material sustainability-related topics consistent with Mercer's investment philosophy and sustainability guiding principles. While guided by our philosophy and principles, we believe our investment managers are typically best placed to prioritise incorporating sustainability and stewardship considerations across the strategies they manage on our behalf. This is particularly the case for stewardship activities such as voting on resolutions relating to and engaging with underlying issuers, where implementation is delegated to our investment managers, who are expected to have detailed knowledge of the practices of the issuers they invest in. Our investment managers are encouraged to engage with issuers on sustainability matters with the aim of improving long-term risk adjusted returns.

Approach across different investment arrangements

Our investment arrangements are a combination of segregated mandates with investment managers or investments 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. We actively monitor our investment managers on their incorporation of sustainability considerations and stewardship activities, consistent with Mercer's Sustainability and Stewardship Policies.¹⁴

Monitoring highlights

We support our clients in monitoring the sustainability-related and stewardship activities of investment managers, including the assessment of investment managers' capabilities with incorporating sustainability considerations within their investment activities and carrying out stewardship activities. Various monitoring activities and reports have supported our clients in being effective stewards and in understanding the actions taken by us, and the investment managers we appoint, on their behalf.

¹⁴ Policy application may vary depending on the degree of discretion available (which is expected to be higher in segregated mandates relative to pooled vehicles).

Insights and highlights on our approach to monitoring and engaging with investment managers on our priority themes as well as on their broader approach to integrating sustainability and stewardship considerations are provided on the pages that follow.

Sustainability and stewardship approaches across investment managers

On an annual basis, Mercer conducts an extensive global survey with all investment managers appointed in our funds to assess their overall approach to integrating sustainability considerations and conducting stewardship activities across the mandates they manage on our behalf. This is an important part of our engagement with investment managers and aligned with our regulatory obligations in certain regions.

Case study: Mercer Sustainability and Stewardship Survey

- Our fifth annual survey sought the views from our investment managers on their approaches to integrating sustainability considerations and conducting stewardship activities within their investment processes over 2024, before seeking insights on their views and approaches to integrating themes of specific interest to Mercer.
- The survey captured 280 responses from 145 investment managers managing strategies used in the Mercer multi-client and bespoke funds.
- Responses were received across asset classes with a specific focus on listed equity and fixed income assets.
- The number of responses received, along with the assets managed more broadly by our investment managers, highlights the extent of our reach and the significant opportunity we have to shape investment managers' sustainability and stewardship practices.

Survey coverage	
Managers	145
Strategies	280
	Equities: 127 (45%)
	Fixed income: 107 (39%)
	Alternatives: 46 (16%)
Manager AUM*	c.\$50 trill
Strategy AUM	c.\$181 bill

Total AUM of all managers Mercer has exposure to



Case study: Mercer OCIO Sustainability and Stewardship Survey highlights

Governance, policies and general approach to voting and engagement



99%

of managers are signatories to the PRI¹



96%

of managers have sustainability policies in place²



85%

of managers have a diversity and inclusion policy in place



82%

of managers have stewardship policies in place³



100%

of managers have documented voting policies and principles



91%

of managers engage with companies on material sustainability issues



72%

of managers publicly disclose voting activity



70%

of managers use a customized voting policy

* Results captured for equity and fixed income strategies across both Mercer multi-client and bespoke funds

^{1,2} Managers who are not PRI signatories or do not have sustainability policies in place are those in bespoke client funds

³ Of these, 13% of managers who do not have stewardship policies in place are those in bespoke client funds

Along with capturing insights into investment managers general approaches to integrating sustainability considerations and conducting stewardship activities, the survey seeks further insights on investment managers views and approaches to considering and integrating sustainability themes of particular interest to Mercer, including climate, biodiversity and natural capital, human rights and labour practices and diversity & inclusion. Highlights from the survey have been shared with interested clients, with some key takeaways across the various themes shared below.

Monitoring investment managers' approaches to climate

As mentioned earlier, Mercer aims to achieve net zero absolute portfolio carbon emissions by 2050 for its discretionary model portfolios and for the majority of its multi-client, multi-asset funds domiciled in Ireland. Supporting our journey towards meeting these targets are the underlying funds that are the building blocks for our portfolios and working with investment managers to ensure climate is considered within their investment approach.

Case study: Climate commitments under SFDR

- We continue to work with investment managers to ensure that our active equity funds that disclose under Article 8 of the SFDR achieve a carbon intensity that is 20% below their respective benchmarks over a 3-year rolling period.
- For active fixed income solutions with Article 8 disclosures, we work with investment managers to exclude the highest emitting issuers (those with carbon intensities over 3,000 tonnes per million dollars of revenue) unless they show strong transition capacity as assessed using our ACT Tool.
- These commitments, as well as active engagements with our investment managers, have helped to reduce the carbon intensities of our multi-asset funds and portfolios in scope of our net zero target.

Engaging with investment managers on their consideration and management of climate-related risks and working with them to reduce our solutions' emissions intensities has been an important part of our engagement activities in supporting our progress towards our net zero target.

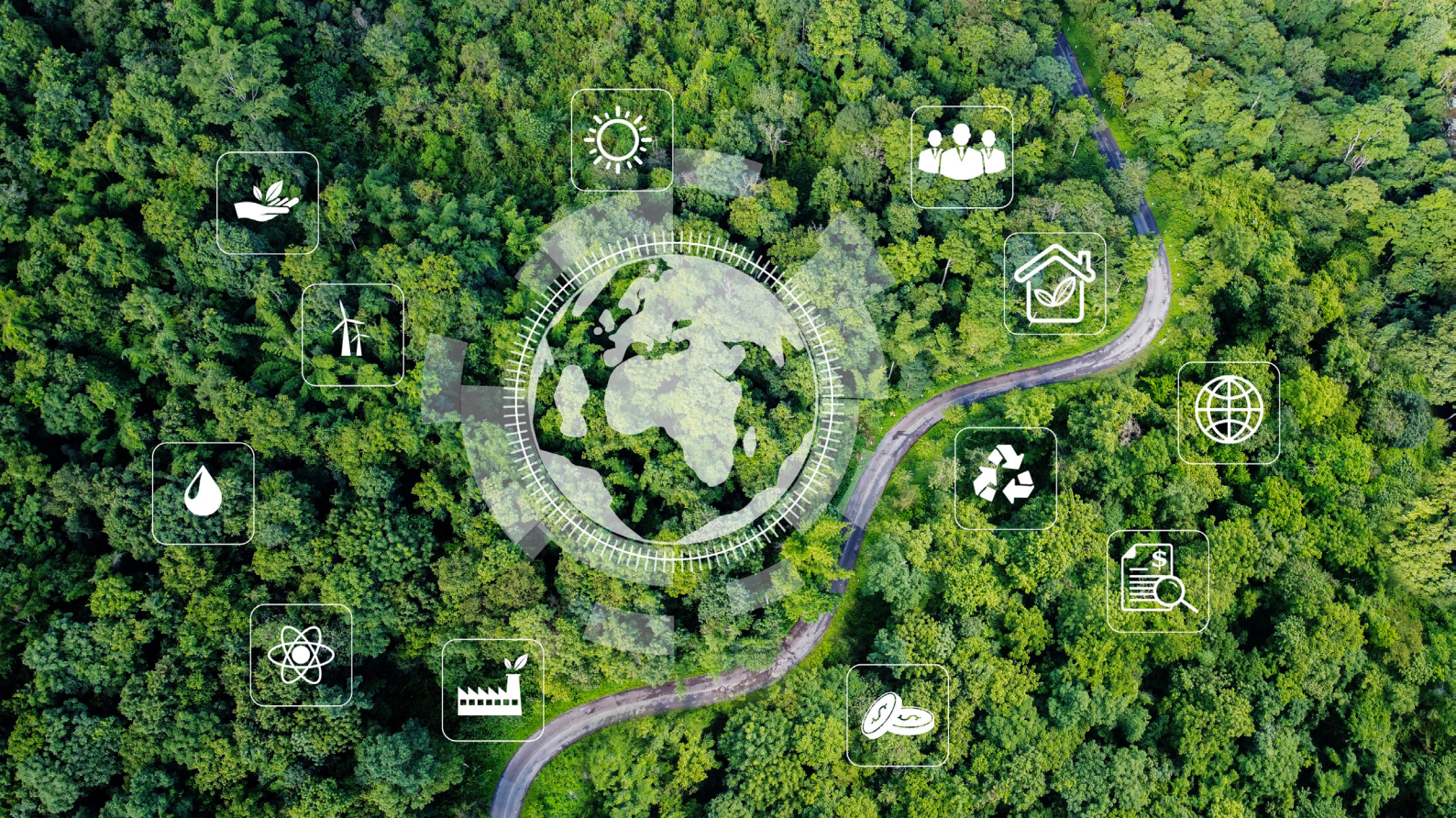
Our Climate Engagement Framework is underpinned by effective stewardship and is empowering us to actively engage with our investment managers, with the goal of ensuring that they too are actively supporting the transition to a more sustainable and climate-resilient future through engaging with high emitting companies.

Case study: Climate Engagement Framework

- Our analysis has shown that the top 10 contributing issuers in high impact sectors, as defined by the IIGCC, are responsible for c.20% of total portfolio* emission intensity, with the top 50 issuers alone responsible for c.68% of total portfolio* emissions intensity.
- Priority issuers are identified using multiple climate metrics (using third party data and Mercer's ACT results), with a focus on both emissions and transition related metrics, as opposed to only historical emissions.
- Over 2024, we engaged with 22 of our investment managers to assess their stewardship activities relating to encouraging decarbonization progress across our 10 priority issuers

*Defined as the core 36 multi-client active and passive equity and fixed income funds. A portfolio was built where each fund was assigned a weight in the overall portfolio based on its \$AUM. Data as at 30th Jun 2024.

Our survey provides further insights on investment managers' approaches to integrating sustainability themes of importance to Mercer, of which climate is one. Investment managers use a variety of approaches in their monitoring and managing of climate transition risks, with the majority conducting fundamental climate risk assessments and engaging with holdings. Despite engagement with companies and issuers being high, policymaker engagement is much less frequent. We've also noted that while numerous metrics are monitored, investment managers are somewhat reluctant to set climate targets, particularly in asset classes where challenges continue to exist in data quality.



Case study: Climate insights from the Mercer Global



75%

of managers have or are planning on preparing TCFD aligned disclosures



79%

of **equity** managers have engaged with companies or issuers on climate



10%

of **equity** managers have engaged with policymakers



29%

of **equity** managers have or are planning to set strategy climate targets



40%

of equity managers have voted against management on climate resolutions



70%

Of **fixed income** managers have engaged with companies or issuers on climate



22%

of **fixed income** managers have engaged with policymakers



19%

of **fixed income** managers have or are planning to set strategy climate targets

* Results captured for equity and fixed income strategies across both Mercer multi-client and bespoke funds

In addition to our engagements with investment managers to support decarbonisation efforts across our funds and portfolios, we expect investment managers to engage with the underlying companies to promote more sustainable investment outcomes. To support our monitoring and reporting of engagement activities across investment managers, we continue to maintain a database that captures numerous examples of engagements, covering different funds, investment managers, strategies and themes. Our 2024 survey captured over 390 examples of engagements from investment managers.

Case study: Investment manager engagement to support improvements in data quality

Multi-asset credit investment manager

- We have not set a climate target for this strategy due to the significant gap in consistently reported, comparable and transparent climate data for high yield, distressed, and private credit companies in the portfolio.
- However, we have taken steps to help address this climate data gap. We have led and participated in several direct company engagements and collaborative engagements with key stakeholders, including with the Carbon Disclosure Project (CDP) (one of the largest environmentally-focused non-profit organizations), to evaluate climate impact and determine actions needed to encourage better capturing, monitoring, and management of climate data for alternative credit markets, which continue to lag investment-grade credits and public markets. The limited data availability, thus far, has created challenges for putting broader climate alignment into practice for the markets in which we invest.

Case study: Investment manager engagements with issuers on climate

Passive equity investment manager – industrial company

- The investment manager engaged with the company to encourage it to set a SBTi certified 1.5-degree long-term target, and to link executive remuneration to emission reduction targets.
- The investment manager conducted virtual engagement meetings with the company in both 2023 and 2024, attended by the company's investor relations senior manager and investor relations specialist. Prior to their first engagement meeting in 2023, the company had already received SBTi certification for its near-term target of reducing absolute Scope 1, 2, and 3 emissions by 42% by 2030 in March 2023. In line with the investment manager engagement objectives, they asked the company to seek further verification from the SBTi for 1.5-degree long-term targets. In 2024, the company announced that its overall net zero targets, near-term, and long-term targets have been validated by the SBTi, including a long-term target to reduce scope 1, 2, and 3 GHG emissions by 90% by 2050.
- While the second objective of linking executive remuneration to emission reduction targets is not yet addressed, the company has expressed a willingness to link executive remuneration to emissions reduction targets and has been open to receiving recommendations on best practices for the relevant disclosures. The investment manager will continue to monitor the disclosures and seek dialogue with the company on this matter.



Monitoring investment managers' approaches to biodiversity & natural capital

We are committed to integrating nature into our investment portfolios where relevant given the linkages between nature and biodiversity loss and climate and therefore engaging with investment managers on their consideration and management of biodiversity and nature-related risks is a growing part of our engagement activities.

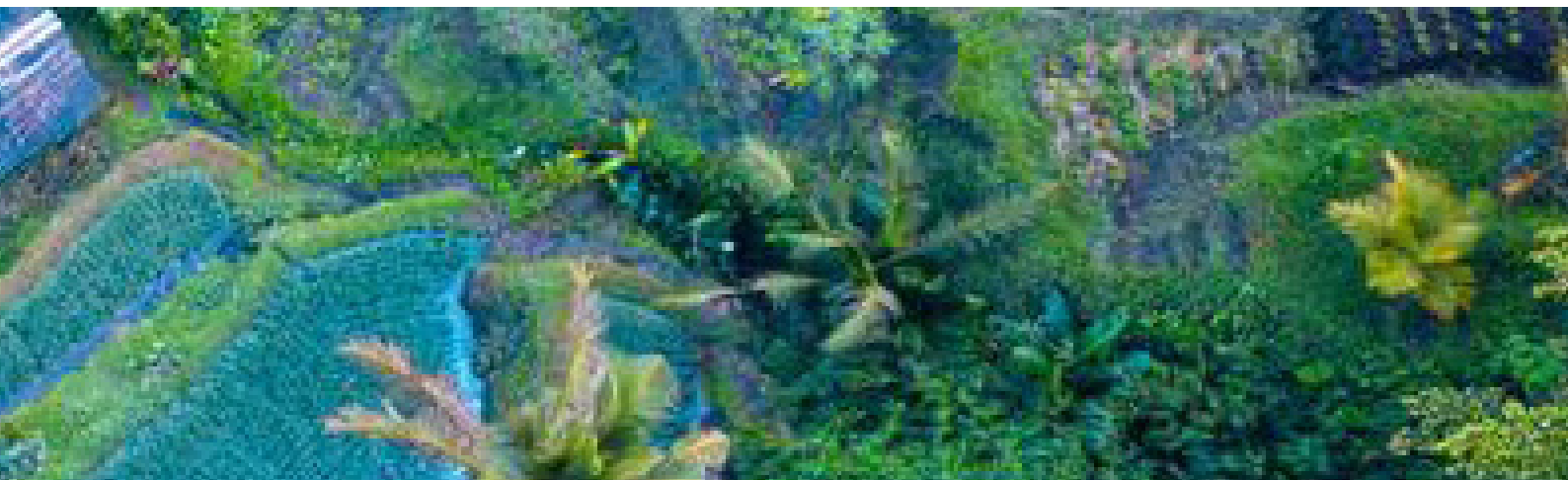
Case study: Nature Engagement Framework

- Our nature engagement framework is underpinned by effective stewardship and is empowering us to actively engage with our investment managers, with the goal of ensuring that they are actively engaging with companies that are likely to have a material influence on nature due to their activities and supply chains.
- Companies are prioritized using frameworks including Nature Action 100 and Forest 500, while considering their materiality across Mercer portfolios.
- Over 2024, we engaged 25 of our investment managers with holdings across our prioritized list of 10 issuers with engagements focusing on reviewing companies' commitments to nature and biodiversity through their policies, commitments and disclosures and their understanding and management of material dependencies and impacts on nature within their operations and value chain.

Our survey results highlight that the majority of investment managers are in the early stages of considering and integrating biodiversity and nature-related risks within their investment processes. Some of the challenges highlighted by investment managers include:

- biodiversity considerations encompass a wide range of species, ecosystems, and interactions
- limited availability of reliable, consistent, and location-specific data making it difficult to assess biodiversity impacts accurately,
- biodiversity risks and opportunities are highly location-specific, requiring detailed, regionally tailored approaches
- investments often have indirect and hard-to-trace effects on biodiversity, complicating impact measurement
- biodiversity loss is often only measurable after significant damage has occurred, making early action harder to assess.

Even with guidance from the TNFD, the lack of data availability for many of the data points outlined adds to the complexity, with biodiversity and nature-related risks currently largely being addressed through stewardship and engagement.





Case study: Biodiversity & Natural capital insights from the Mercer Global OCIO Sustainability and Stewardship Survey*



15%

of managers are early adopters of the TNFD and plan on preparing a TNFD statement



20%

of managers plan on preparing a TNFD statement but have not set a timeframe



65%

of managers do not plan on preparing a TNFD statement currently



50%

of managers have engaged with companies or issuers on nature



10%

of managers have engaged with policymakers



10%

of managers have or are planning to set strategy nature-related targets

Further to monitoring investment managers approaches to considering and integrating biodiversity and nature considerations into their investment process, we are also obtaining insights from investment managers on the engagements they are having with issuers relating to nature. Our 2024 survey captured over 140 examples of engagements from investment managers.

Case study: Investment manager engagements with issuers on biodiversity and nature

Passive equity investment manager – industrial company

- The investment manager engaged with the company to encourage it to set a SBTi certified 1.5-degree long-term target, and to link executive remuneration to emission reduction targets.
- The investment manager conducted virtual engagement meetings with the company in both 2023 and 2024, attended by the company's investor relations senior manager and investor relations specialist. Prior to their first engagement meeting in 2023, the company had already received SBTi certification for its near-term target of reducing absolute Scope 1, 2, and 3 emissions by 42% by 2030 in March 2023. In line with the investment manager engagement objectives, they asked the company to seek further verification from the SBTi for 1.5-degree long-term targets. In 2024, the company announced that its overall net zero targets, near-term, and long-term targets have been validated by the SBTi, including a long-term target to reduce scope 1, 2, and 3 GHG emissions by 90% by 2050.
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Case study: Investment manager engagements with issuers on biodiversity and nature

Passive fixed income investment manager

- The investment manager is a member of the Brazil workstream of the Investor Policy Dialogue on Deforestation (IPDD), an investor-led sovereign engagement initiative that aims to halt deforestation in some of the world's most biodiverse, carbon-absorbing biomes.
- Investors are urging the government of Brazil to demonstrate clear commitment to eliminating deforestation and protecting the rights of indigenous peoples.
- As part of the activities of IPDD in 2024, the investment manager participated in 19 meetings with the investor group – which included discussions on regulatory updates related to deforestation as well as educational sessions – and joined five engagement meetings with stakeholders.
- Investors are working towards several outcomes from the Brazilian government, including a significant reduction in deforestation rates, avoidance of legislative developments that may negatively impact forest protection, access to data on deforestation, and traceability of commodity supply chains.
- Engagement with sovereigns often have longer timelines than engaging with corporates and corporate bond issuers. In this context, outcomes produced include promoting awareness among policymakers about the position of investors on the risk of deforestation, as well as shared learnings and building capacity for the investor group.

Monitoring investment managers' approaches to human rights & labour practices

Engaging with investment managers on issues relating to human rights and labour practices, is another area of focus for us. We draw on principles relating to global norms such as the UN Global Compact (UNGC) Principles, which relate to human rights, labour, environment and corruption issues, to support us in monitoring our multi-client equity and fixed income funds for high-severity incidences as flagged by our third-party provider. Incidences for engagement with investment managers are prioritised based on our internal framework, during which we seek their views on the risk, return and reputation implications as well as insights on their stewardship activities related to the incident.

Our internal framework allows for engagements to occur over multiple years, to allow for remediation given our preference for engagement over divestment, with escalation activities built in where insufficient progress is noted.

Case study: Engagements with investment managers on global norms incidences

- Engagements with 12 investment managers with exposure to 19 companies.
- 19 companies flagged for high-severity incidences, 5 of which related to new companies. 14 companies had been on the engagement list for multiple periods, with 8 of these further escalated for exclusion consideration given their low weighting across portfolios.
- Of the 8 companies flagged, improvements were noted across 4 with the remaining 4 being escalated for exclusion consideration.
- Our internal framework led to the approval of 2 companies being added to our exclusion list based on a lack of progress being made despite engagements over multiple periods.

Mercer' sustainability and stewardship survey also seeks to gain insights from investment managers on their approach to integrating considerations relating to human rights and labour practices within their investment process and on engagements they are having with issuers on this theme. Our 2024 survey captured over 230 examples of engagements from investment managers.



Case study: Human Rights & Labour Practices insights from the Mercer Global OCIO Sustainability and Stewardship Survey*



70%

of equity managers have
voted against
management on human
rights and labour related
resolutions



61%

of equity managers have
engaged with companies



48%

of fixed income managers
have engaged with
issuers

*Based on equity and fixed income multi-client and bespoke strategies

Case study: Investment manager engagements with issuers on Human Rights & Labour Practices

Passive listed infrastructure – utilities company

- The investment manager joined the PRI Advance collaborative engagement group of the company in November 2023.
- Although the company recognized the business’s human rights risks, there was reluctance to engage with investors on these issues.
- In April 2024, the investment manager’s Head of Investment Stewardship Asia ex-Japan joined the lead investor of the collaborative engagement group in an in-person meeting in Hong Kong to further explain the investors’ position to representatives from the company’s sustainability and investor relations team.
- In August 2024, as part of their human rights letter campaign, the investment manager wrote to the company outlining why they considered human rights financially material for companies in the utilities sector and informed the company of the investment manager’s human rights policy, and expectations.
- While the engagement is still ongoing (with direct engagements planned for 2025) the investment manager is pleased that the company is now willing to engage and through written correspondence, the investment manager understands that the company has engaged an external third party to conduct a human rights assessment and will include human rights updates in their upcoming sustainability annual report.

We are looking to further evolve our approach to include portfolio risk assessments to support in integrating relevant metrics into our investment process, to further support us in our stewardship efforts on human rights and labour practices.

Monitoring investment managers’ approaches to diversity and inclusion

Mercer believes that diverse teams lead to better decision-making and therefore takes an interest in the extent to which investment managers incorporate diversity considerations as part of their investment decision-making process.

We monitor the board diversity profiles of the underlying equity strategies used in our multi-client equity funds as well as engagement activities investment managers are having with companies to promote diversity and inclusion. Our 2024 survey captured over 140 examples of engagements from investment managers.

Diversity across multi-client equity strategies	
Board diversity across issuers in active equity multi-client funds:	
Fund Average	Benchmark Average
33%	32%



Case study: Diversity & Inclusion insights from the Mercer Global OCIO Sustainability and Stewardship Survey*



56%

of equity managers have engaged with companies



44%

of equity managers have voted against directors where diversity expectations not met



44%

of equity managers set gender expectations at board level



16%

of equity managers set gender expectations at executive management level



10%

of equity managers set gender expectations at senior management level

Case study: Investment manager engagements with issuers on Diversity & Inclusion

Passive equities – financial services company

- The investment manager engaged with the company with the objective of encouraging it to enhance diversity on its board of directors by having at least one director who is female-identifying and to have a formalised commitment to prevent discrimination.
- Direct engagement was initiated with the bank, which is engaged in corporate, retail, and investment banking activities, in 2023. The investment manager had two virtual meetings with the company, attended by the company's investor relations team. The meeting discussed the company's approach to gender diversity and the development of an ESG strategy and anti-discrimination policies.
- According to the investment manager, because of the engagement, the company appointed a female director on the Board in 2024. The investment manager will continue monitoring the progress of the engagement until it fulfils all the objectives.

07

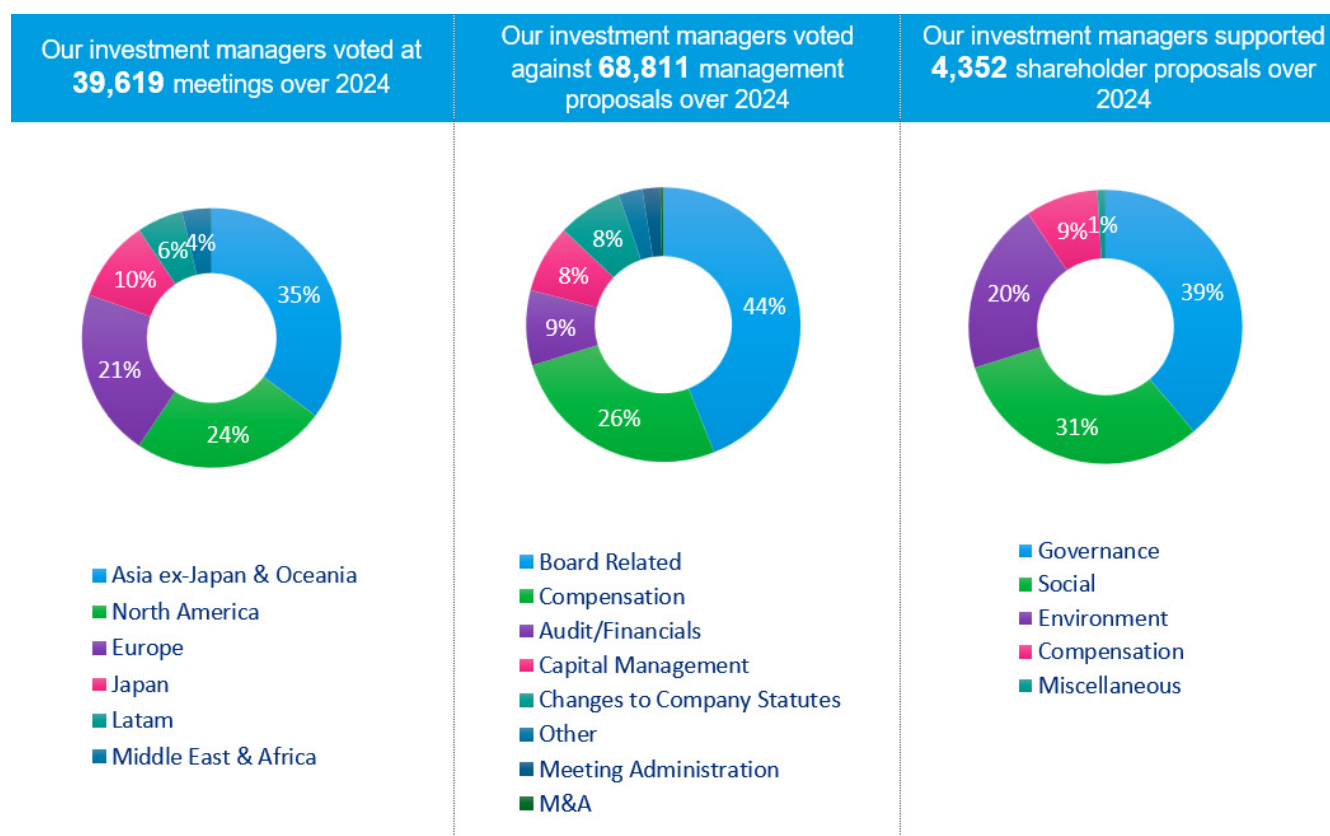
Exercising rights and responsibilities



As an investment manager of funds that invest in publicly listed companies, Mercer has the right to vote at shareholder meetings on behalf of unitholders in its funds. We regard voting our shares as important to our fiduciary responsibility. Consistent with our investment model, voting rights and responsibilities typically sit with the investment managers who are expected to vote all shares in a manner deemed most likely to protect and enhance long-term value. We carefully evaluate each investment manager's capability in proxy voting as part of the manager selection process. 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.

Voting statistics

The statistics below represent the aggregated results of voting activities in 2024 across all segregated mandates. Our expectation is that investment managers vote all shares, however we do recognise that there may be certain exceptions, for example where conflicts of interest exist or in certain markets where certain restrictions apply. Please refer to our Stewardship Policy which provides further detail on this.



Use of proxy advisors

Mercer expects investment managers to have detailed knowledge of both the governance and the operations of the companies they invest in and has therefore enabled investment managers to vote based on their own voting policy. As we do not vote shares directly, we do not use the services of a proxy voting advisor, however we do monitor the use of proxy voting advisors by our investment managers.

Voting expectations

In the last update of the Mercer Stewardship Policy, specific voting expectations were clarified relating to themes of importance to us namely, climate and diversity and inclusion.

We expect our investment managers to review the level of climate-related disclosures and commitments made by companies and to challenge the re-election of boards that have shown persistent inaction on climate change and/or climate-related disclosures and consider voting against the (re-) appointment of directors that are not supportive towards aligning their business with the climate transition. We further expect investment managers to consider voting in favour of any reasonable resolution that promotes increased climate-change related disclosures and mandates the setting of emission reduction targets and reporting (such as disclosures in line with the recommendations of the Task Force on Climate-Related Financial Disclosures).

We also believe that diversity in backgrounds and experiences brings greater innovation, which can feed into the bottom line. We expect our investment managers to review all board director (re-) appointment votes for appropriate diversity. We recognise the challenges of defining diversity and data collection across different regions and communities, however in relation to gender diversity specifically, where data is most widely available, we request that all votes for board directors are considered with the aim of strengthening female-identifying representation on the boards of companies.

Significant votes

On a quarterly basis, we support clients with the preparation of their Implementation Statements by providing them with insights on significant votes over the prior 12-month period. Significant votes are identified either with reference to our clients' specific definitions, or to Mercer's definition, which focusses on proposals aligned with Mercer's priority themes and relating to companies that have a significant weight in our funds. All proxy voting results are disclosed publicly on our Proxy Voting site.

Disclosure of voting activities

Mercer monitors the voting activities of equity investment managers and provides quarterly reporting to clients to assist them in the preparation of their Implementation Statements. Aggregated reporting is also provided in this report. Our reporting is supported by the use of a third-party provider who reports voting activities carried out on Mercer's behalf by equity investment managers. Voting data is sourced by our third-party provider, directly from custodians, providing an independent source of voting disclosure, and further supporting our efforts to monitor whether equity investment managers are exercising their voting rights to the fullest extent possible. We continue to enhance our approach and the tools we use to report on voting activity which has allowed us to provide clients with more bespoke reporting on areas of interest and deliver this more efficiently.

Our Proxy Voting site, which is updated every six months and discloses proxy votes over the prior six-month period, continues to provide information on how proxy votes are exercised within the Mercer funds.



Appendix

Meeting the principles of the UK Stewardship Code

	Description	Pages
Principle 1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	7-18
Principle 2	Signatories' governance, resources and incentives support stewardship.	20-27
Principle 3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	29-30
Principle 4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	10-16; 43-56
Principle 5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.	39-41
Principle 6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	32-37
Principle 7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	10-16; 43-56
Principle 8	Signatories monitor and hold to account managers and/or service providers.	43-56
Principle 9	Signatories engage with issuers to maintain or enhance the value of assets.	43-56
Principle 10	Signatories, where necessary, participate in collaborative engagement to influence issuers.	17-18
Principle 11	Signatories, where necessary, escalate stewardship activities to influence issuers.	43-56
Principle 12	Signatories actively exercise their rights and responsibilities.	58-60

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