Mercer

June, 2025

Principal adverse sustainability impacts statement

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01/ Summary

Entity name	Domicilie	LEI
Mercer Global Investments Europe Limited (MGIE)	Ireland	213800PT1UEZII2FGW07
Mercer Global Investments Management Limited (MGIM)	Ireland	5493007RODP0KG30F330

MGIE (213800PT1UEZII2FGW07) and MGIM (5493007RODP0KG30F330) consider the principal adverse impacts of investment decisions on sustainability factors. MGIM is a UCITS management company and AIFM of a range of UCITS and AIFs (the "Mercer Funds") and MGIE, a MiFID Investment Firm, is the appointed investment manager of the Mercer Funds.

For the purposes of this statement, MGIM and MGIE will be referred to as “Mercer” unless otherwise stated. The present statement is the consolidated statement of principal adverse impacts on sustainability factors of MGIE and MGIM investment decisions for the Mercer Funds. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2024 to 31 December 2024.

For the purposes of this statement, principal adverse sustainability impacts ("PAIs") are the negative, material or likely to be material effects on the environment and society that might be caused, contributed to or directly linked to investments for the Mercer Funds. Mercer considers the PAIs of its investments in accordance with the Sustainable Finance Disclosures Regulation ("SFDR") and has integrated due diligence, ongoing monitoring and impact assessment and mitigation processes across its investment management procedures for the identification and prioritisation of its PAIs.

In accordance with SFDR, the PAIs identified during the period January to December 2024 are set out in the table below along with a description of the actions taken during that period to avoid or reduce the impacts identified and those planned for the period January to December 2025. The table below also references the previous period of January to December 2023.

For the avoidance of doubt, this PAI statement relates to investments for the Mercer Funds and the PAIs of those investments as calculated on a quarterly basis using the selected PAI indicators outlined in the table below. Having regard to the principle of proportionality and view of regulatory scope, the PAIs of investments for third party-managed funds and segregated accounts, which have appointed MGIE as delegate investment manager but which are not managed by MGIM and are not distributed by MGIE, are not included in this PAI Statement.

This document is supplementary to the Mercer Sustainability Policy and the Mercer Fund offering documentation.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact [Current]	Impact [Previous]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	5,555,692.49	5,493,204.35	GHG total emissions marginally increased by about 2.6% accross Scope 1,2 and 3 emissions. Data for scope 3 emissions is still modelled, however we do expect to see data improve over time. In-scope AUM rose by 12% during the year. Increase in these metrics are due to market movements and changes in the composition of the In-Scope assets.	Mercer has not set an explicit target on these metrics, however, it expects to see a decrease in the carbon footprint and GHG intensity figures over the long term. Absolute GHG emissions may rise or fall depending on the size of the assets and the emissions of the underlying investee companies. The GHG intensity figure is comprised of Scope 1, 2 and 3 emissions, of which scope 3 is 100% modelled. Climate change has been a key priority for Mercer for several years now, from monitoring of climate-related metrics, climate scenario modelling and stress testing of portfolios. In early 2021, Mercer announced its target to achieve net zero absolute portfolio carbon emissions by 2050 for UK and European discretionary model portfolios and for the majority of its multi-client, multi-asset Mercer funds domiciled in Ireland. To achieve this, Mercer set an expectation to reduce portfolio carbon emissions intensity by 45 per cent from December 2019 baseline levels by 2030. Mercer also has carbon related commitments for certain Sub-Funds – The majority of Multi-Asset Funds have a zero absolute carbon emissions by 2050 target, certain active Equity Funds are managed to a 20% reduction relative to their benchmark, and certain active Fixed Income Funds seek to avoid investing in any issuer with a WACI of 3000CO2te), unless that issuer is deemed to have high transition capacity by Mercer's climate transition analytics tool. Mercer began a targeted engagement program throughout 2023 focused on climate. Mercer identified the highest contributors to portfolio carbon emissions intensity across all multi-client solutions, and identified those in high impact climate sectors, and those that had not publicly set a verified decarbonisation target. Mercer asked sub-investment managers holding these companies to engage and understand their decarbonisation ambitions, and encourage them to set a decarbonisation target if not already done so. Mercer is tracking all engagement processes and has developed an escalation framework to ensure continued progress. In 2024 this targeted engagement program was broadened to include Nature. Nature and Biodiversity are intrinsically linked to climate change, and climate change cannot be mitigated unless natural systems are restored around the world. Mercer's Nature Engagement target list focuses on investee companies we have significant exposure to and who appear on Nature Action 100 and Forest 500 lists, thus focusing on companies that can support action towards reversing nature and biodiversity loss and deforestation. Mercer introduced voting expectations on its sub-investment managers into its Stewardship Policy for 2024, aligned with its engagement priorities. Mercer expects its investment managers to review the level of climate-related disclosures and commitments made by companies. Mercer expects managers 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. Mercer further expects 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).
		Scope 2 GHG emissions	1,400,703.72	1,399,542		
		Scope 3 GHG emissions	38,445,766.97	37,366,331.16		
		Total GHG emissions	45,392,853.48	44,258,669.03		
	2. Carbon footprint	Carbon footprint Scope 1 and 2 emissions/EVIC	65.14		For this years entity level statement, we have split out Carbon Footprint by scope 1 and 2 emissions and also reported total emissions carbon footprint.	
		Carbon Footprint Scope 1, 2, and 3 emissions/EVIC	424.94	495.45	Carbon footprint fell by 14%. The reduction in carbon footprint has been driven mainly by growth in enterprise value including cash (EVIC). The movement in GHG emissions by the underlying investee companies was small relative to the growth in enterprise value.	
	3. GHG intensity of investee companies	GHG intensity of investee companies scope 1 and 2 emissions/$mn revenue	139.39		For this years entity level statement, we have split out Carbon intensity by scope 1 and 2 emissions and also reported total emissions carbon intensity.	
		GHG Intensity Scope 1, 2, and 3 emissions/$mn revenue	785.40	1050.32	Carbon intensity fell by 25%. The reduction in carbon intensity has been driven mainly by growth in revenue in the underlying investee companies. The movement in GHG emissions by the underlying investee companies was small relative to the growth in revenue.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	9.36%	10.97%	There has been no significant change to this metric.	Mercer expects this figure to remain relatively low and would expect to see a decrease over time, however there is not a set target on this metric. Certain Mercer Sub-Funds have an exclusionary threshold of 1% revenue cap on companies in i) thermal coal extraction, ii) arctic drilling, and iii) oil tar sands mining. Within certain funds, the underlying investor may determine its own suitability preferences and characteristics of the Sub-Fund. In these instances, unless directed by the client, exposure to activities in the fossil fuel sector are not excluded.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	70.28%	70.70%	There has been no significant change to this metric.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data coverage and relevence, and will keep this position under review, with a view to reassess on at least an annual basis.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	19.27	15.40	This metric has moved by about 25% in relative terms. Low coverage means that small movements in metric often results in large deviations. We do expect data to continue to be a challenge in the medium term.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data coverage and relevence, and will keep this position under review, with a view to reassess on at least an annual basis.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	7.48%	0.16%	This metric has moved a lot in absolute terms, mainly due to low coverage and scaling of investments. Low coverage means that small movements in metric often results in large deviations. We do expect data to continue to be a challenge in the medium term.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data coverage and relevence, and will keep this position under review, with a view to reassess on at least an annual basis.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as weighted average	0.001	0.002	There has been no significant change to this metric.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data coverage and relevence, and will keep this position under review, with a view to reassess on at least an annual basis.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.66	2.76	There has been no significant change to this metric.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data coverage and relevence, and will keep this position under review, with a view to reassess on at least an annual basis.

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator		Metric	Impact [Current]	Impact [Previous]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.24%	0.54%	There has been no significant change to this metric.	Mercer does not have a specific target on this metric. Mercer conducts annual screens on its multi-client portfolios to identify UNGC principles violations and will seek evidence of engagement. Investee companies that have been involved in violations of the UNGC principles are subject to an engagement framework within the Mercer portfolios. Mercer has specifically communicated its expectations of managers within its multi-client funds to monitor and engage with any holdings flagged to be in breach of UNGC principles, and to have clear escalation policies in place.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	1.63%	58.69%	There has been a change in methodology of calculating this metric which has caused the large reduction from 2023.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data coverage and relevence, and will keep this position under review, with a view to reassess on at least an annual basis.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	14.87%	13.62%	There has been no significant change to this metric.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data availability and the unadjusted definition of the metric, especially where there is a large gender differential in lower remunerated roles. Mercer plans to keep this position under review with a view to reassess on at least an annual basis.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	32.72%	30.99%	There has been no significant change to this metric.	Mercer does not have a specific target on this metric, taking into account that levels of gender diversity may vary between regional investment mandates. As part of its commitment to promoting diversity, Mercer is a member of the 30% Club Ireland Investor Group and a signatory of the UK Chapter of the 30% Club. Mercer introduced voting expectations on sub-investment managers in its Stewardship Policy in 2025. Mercer expects its sub-investment managers to review all board director (re-) appointment votes for all companies for appropriate diversity. Mercer recognises the challenges of defining diversity and data collection across different regions and communities. In relation to gender diversity specifically, where data is most widely available, Mercer requests that all votes for board directors are considered with the aim of strengthening female-identifying representation on corporate boards of management of all companies. Mercer requests that managers consider voting against board (re-)appointments that do not strengthen the level of board gender diversity.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.03%	0.03%	There has been no significant change to this metric.	Mercer expects this figure to remain near zero. Mercer's multi-client Sub-Funds do not invest in companies that are involved in the production or development of cluster munitions, anti -personnel mines, biological weapons, chemical weapons, nor companies that are verified to be involved in the production of nuclear weapons. Within certain funds, the underlying investor may determine its own suitability preferences and characteristics of the Sub-Fund. In these instances, unless directed by the client, controversial weapons are not excluded. There may also be slight differences in data providers screening of controversial weapons.

Indicators applicable to investment in sovereign and supranationals

Adverse sustainability indicator		Metric	Impact [Current]	Impact [Previous]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	251.34	293.58	This metric fell by 25%. The decrease was attributed to underlying countries GHG intensities falling and also changes in the asset allocation of the underlying portfolios.	While Mercer does not have a net zero target on sovereign exposures, sovereign carbon metrics are tracked and monitored over time. Mercer does not have a specific target on their metric.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	7.25	7.00	There has been no significant change to this metric.	Mercer does not have a specific target on this metric. Mercer will monitor this metric taking into account data coverage and relevence, and will keep this position under review, with a view to reassess on at least an annual basis.
		Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	6.16%	6.11%	There has been no significant change to this metric.	

Other indicators for principal adverse impacts on sustainability factors

Adverse sustainability indicator		Metric	Impact [Current]	Impact [Previous]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	40.99%	32.41%	The increase in this metric is due to market movements and changes in the composition of the In-Scope assets.	Mercer began a targeted engagement program throughout 2023 focused on climate. Mercer identified the highest contributors to portfolio carbon emissions intensity across all multi-client solutions, and identified those in high impact climate sectors, and those that had not publicly set a verified decarbonisation target. Mercer asked sub-investment managers holding these companies to engage and understand their decarbonisation ambitions, and encourage them to set a decarbonisation target if not already done so. Mercer is tracking all engagement processes and has developed an escalation framework to ensure continued progress.
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	10.20%	13.60%	There has been no significant change to this metric.	Mercer has not set a specific target for this metric, however, a priority area of engagement for Mercer relates to labour and workforce practices and supply chain safety, as well as human rights practices that avoid contributing to modern slavery, exploitation and other human right abuses. Mercer encourages appointed sub-investment managers to formalise their approach via documented policies and procedural risk assessments within investment portfolios, to identify high-risk companies and evidence the actions they have taken to try to resolve the issue identified. A number of appointed sub-investment managers have developed specific risk identification frameworks to assess the extent of human rights or labour practices related risks within the companies in their coverage universes, as well as within the supply chains of those companies. While the majority of appointed managers have a policy in place to address human rights and labour practice risks, it was a common theme accross a number of managers to consider these risks as part of the pre-investment due diligence process, which if evident, resulted in manager's not including the holding in their investment universe.

Description of policies to identify and prioritise PAIs

PAI identification and prioritisation policy

This PAI identification and prioritisation policy (the "PAI Policy") sets out Mercer's methodology for the selection of PAI indicators, the calculation of selected PAI indicators and the assessment of PAIs identified using relevant indicators.

This PAI Policy was approved and adopted 27 May 2025 by the MGIE Board and 22 May 2025 by the MGIM Board and is reviewed and updated on an annual basis in line with the annual publication of this PAI statement (or more frequently if required).

Roles and Responsibilities

Key responsibilities for the maintenance of the PAI policy are as follows:

Selection of PAI indicators

In accordance with SFDR, Mercer has embedded the mandatory PAI indicators set out in Table 1, Annex I of the SFDR Delegated Regulation (2022/1288) ("SFDR Level 2") within its investment due diligence and ongoing investment monitoring processes to ensure initial and periodic identification of the PAIs of investments for the Mercer Funds.

Name of owner	Area of responsibility
MGIE Board	Approval and oversight of policy
MGIM Board	Approval and oversight of policy
MGIE CIO	Policy implementation and oversight across investment processes
MGIE Investment Risk Management Committees (IRMCs)	Review of PAIs on the Mercer Funds
MGIM Fund Risk Committee	Receives PAI report from IRMCs and details of any actions taken
Portfolio Management team	Oversight of appointed Sub-Investment Managers to ensure investment process is implemented on a continuous basis with due consideration to sustainability factors where relevent

In addition, Mercer used two additional indicators for the consideration of PAIs in the 2024 and 2023 reference periods; PAI 4: Investments in companies without carbon reduction initiatives, and PAI 17: Lack of a human rights policy. These PAIs were selected from the list of indicators in Tables 2 and 3 respectively of Annex I, SFDR Level 2, taking due consideration of Mercer's internal priorities and sustainability beliefs as set out in Mercer's Sustainability Policy and Stewardship Policy, and taking into account the potential severity of the impact and the probability of occurrence in respect of these additional PAIs.

Identification and prioritisation of PAIs

Mercer applies its investment due diligence, ongoing monitoring and impact mitigation processes and procedures in the identification and prioritisation of the PAIs. As part of Mercer's internal governance process, data provided by appointed specialist third party data providers and/or internal research informs the quarterly calculation of the PAI indicators. Where a PAI is integrated into investment considerations, engagement, exclusion or management of the portfolio is completed with due consideration to reducing the negative impact of that indicator.

Identified PAIs and the impact of mitigating actions taken and any planned in respect of those PAIs are formally monitored at the quarterly MGIE Investment Risk Management Committee meetings and MGIM Fund Risk Committee and more regularly by the Portfolio Management team.

Limitations of the PAI methodology

The selection and calculation of PAIs is currently limited by data quality, coverage, consistency, and accessibility issues which are likely to remain challenging over the near term as sustainability reporting standards and regulation continue to be developed and take effect. Mercer uses third party data providers and data from internal sources and proprietary Mercer tools when calculating the PAI indicators. However, the value or integrity of a given PAI indicator can be undermined where data for the indicator is based on voluntary and non-standardised sustainability reporting by investee companies, or where the underlying methodologies employed by investee companies are not comparable.

In certain instances, information is not readily available on the indicators for Mercer Funds which are structured as 'fund of funds' and make indirect investments in external third-party funds. Best efforts have been made to obtain this information from underlying third-party funds including by engaging third party data providers who have engaged with the third-party managers on Mercer's behalf.

Estimation of an associated margin of error within the methodologies remains challenging due to limitations of the data.

Data sources used

Mercer uses third party data providers, and data from internal sources and proprietary Mercer tools when calculating PAIs. Each data provider is selected based on a competitive tender process, is reviewed on a regular basis and an assessment of data quality is undertaken as part of the tender process. Mercer also liaises with a market leading data aggregator to ensure bottom-up analysis of all holdings and data processing. The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage, and other attributes. Mercer utilises MSCI SFDR Adverse Impact Metrics to aggregate PAI data. Where data is not readily available, MSCI ESG Research will make efforts to engage with companies to encourage public disclosure, and fill some disclosure gaps by drawing on MSCI ESG research datasets and estimates for assessing adverse sustainability impacts not reliant on company disclosure.

Data sources/data providers used may include:

- MSCI (data provider for the PAI data in Table 1)
- ISS
- Sustainalytics
- Mercer Analytics for Climate Transition ("ACT") Tool
- SSGX

Engagement policy and framework

Mercer is committed to industry standards of good governance and stewardship, as evidenced by our Signatory status to the UK Stewardship Code.

Mercer believes its appointed Sub-Investment Managers are typically best placed to prioritise assessing the materiality of ESG factors by security, given they are expected to have detailed knowledge of both the governance and the operations of the companies and issuers they invest in. However, Mercer recognises the pivotal role it has in monitoring their stewardship activities and promoting more effective stewardship practices, including ensuring attention is given to more strategic themes and topics. We expect appointed Sub-Investment Managers to adopt standards of good governance and stewardship through voting and engagement practices that include a focus on sustainability risks and other material ESG factors, consistent with Mercer's investment philosophy.

In accordance with the PAI Policy, Mercer monitors and reviews PAIs at least quarterly on the Mercer Funds. Mercer also has oversight of appointed Sub-Investment Managers voting and engagement activities, which is reviewed to ensure alignment with Mercer's priorities. Stewardship activities should focus on material sustainability risks, adverse sustainability impacts and other ESG issues with the aim of improving sustainability outcomes, which could enhance the value of clients' investments in the longer term. Through its stewardship efforts, Mercer focuses on key sustainability issues that are believed to be systemic in nature and have the potential to impact investment risks and returns across the Mercer Funds.

The engagement framework is informed by the following PAIs:

- PAI 1.GHG Emissions
- PAI 2.Carbon footprint
- PAI 3.GHG intensity of investee companies
- PAI 4.Exposure to companies active in the fossil fuel sector
- PAI 10.Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 13.Board gender diversity
- Table 2 PAI 4. Investments in companies without carbon emission reduction initiatives
- Table 3 PAI 9. Lack of a human rights policy

Key engagement priority areas, as set out by Mercer's Stewardship Policy, are communicated to the Sub-Investment Managers appointed to the Mercer Funds with the expectation that engagement efforts are directed towards these issues for companies held in the portfolios:

- **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 – well below 2C is both an imperative and an opportunity
- **Biodiversity & Natural Capital:** Destruction of biodiversity and the natural environment is a risk to multiple sectors, as our economies are highly dependent on nature. There are direct links between the environment and financial markets together with the interrelationship between nature and climate change, where net zero emissions objectives rely on nature
- **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 that may create health and economic harms
- **Diversity, Equity & Inclusion:** Including cognitive and identity diversity in decision-making processes is expected to create better outcomes and solutions

Further information is detailed in the Stewardship Policy, available here: responsible-investment (mercer.com)

The Investment Manager actively monitors appointed Sub-Investment Managers and their stewardship activities consistent with the engagement framework. Mercer's annual Manager Engagement Survey is a key input in assessing Sub-Investment Managers' stewardship approaches, along with insights shared by Sub-Investment Managers through their regular reporting and in our engagements with them, which may be part of formal quarterly or ad hoc meetings.

The survey seeks to gather granular strategy-level information from each Sub-Investment Manager appointed to the Mercer Funds on the approach they have taken to stewardship (voting and engagement), with clear examples provided on engagements and voting activity related to individual securities throughout the previous year, relating to Mercer's engagement priorities. Mercer's annual Stewardship Report which includes a summary of appointed Sub-Investment Managers' voting and engagement activities over the previous year is available on our website responsible-investment (mercer.com)

Where there is no reduction of PAIs following engagement over more than one period, Mercer will review its engagement priorities and may look to adapt them and the associated Stewardship Policy. Mercer may also engage with appointed Sub-Investment Managers on specific investee companies in their portfolios to assess whether voting and engagement activities are aligned with expectations to mitigate PAIs, as detailed in actions taken in Table 1 with regards to PAIs 1-3, and PAI 4 in Table 2. Persistent, high-severity PAIs may result in securities being added to Mercer's exclusion lists. For example, Mercer screens and monitors listed portfolios for high-severity ESG-related risks as flagged according to the UN Global Compact ("UNGC") Principles that relate to human rights, labour, environment, and corruption issues, as identified by our appointed external ESG research provider. In response to identified incidents, we engage with appointed Sub-Investment Managers holding those securities and seek their views on the risk, return and reputation implications as well as engagement insights on the issue. An escalation policy within Mercer on UNGC breaches may result in a security being added to Mercer's exclusion lists.

References to international standards

Adherence to International Standards and Business Conduct Codes

As a significant asset owner, Mercer recognises that it can use its voice and influence to contribute to important global platforms and initiatives on sustainability issues.

Mercer adheres to the following international standards and business codes and uses the listed PAIs, where relevant, to measure its adherence. Mercer does not forecast PAIs of investee companies but will review the data at a point in time, and over time to identify anomalies or high severity impacts.

1. **UN Global Compact and OECD Guidelines for Multinational Enterprises**

PAI indicators used to measure adherence:

- PAI 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Table 3 PAI 9. Lack of a human rights policy

Methodology and Data Used to measure adherence:

As described above, Mercer screens and monitors companies for high-severity ESG-related risks as flagged according to the UN Global Compact ("UNGC") Principles that relate to human rights, labour, environment, and corruption issues, as identified by our appointed external ESG research provider. Mercer updates its UNGC breach list semi-annually and performs analysis on the funds semi-annually. Mercer will also monitor its share of investments in entities without a human rights policy and use it to inform its engagement with appointed Sub-Investment Managers and will use it when tracking the Sub-Investment Managers' engagement with investee companies.

2. **Convention on Cluster Munitions/EU Firearms Directive/Anti-Personnel Mine Ban Convention/Convention on Certain Conventional Weapons (CCW)**

PAI indicators used to measure adherence:

- PAI 14.Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Methodology and Data Used to ensure adherence to Standard:

Mercer's exclusionary framework excludes investment in controversial weapons across the Mercer Funds where relevant. There may be cases where the exclusionary framework does not apply, such as LDI Funds where investee companies that generate any revenue from controversial weapons does not form part of the investible universe for that asset class. Mercer engages with Sub-Investment Managers of external third-party funds it may invest in to exclude such investments as much as possible. Mercer's definition of controversial weapons includes biological and chemical weapons, anti-personnel mines, cluster munitions, nuclear weapons and also includes automatic and semi-automatic civilian firearms.

Mercer updates its exclusion list for these parameters semi-annually from its appointed external ESG data provider and screens the Mercer Funds for exposure to excluded securities on an ongoing basis.

3. **Taskforce for Climate Related Financial Disclosures (TCFD)/Paris Agreement**

PAI indicators used to measure adherence:

- PAI 1.GHG Emissions
- PAI 2.Carbon footprint
- PAI 3.GHG intensity of investee companies

Methodology and data used to ensure adherence to Paris Agreement:

In early 2021, Mercer announced its target to achieve net zero absolute portfolio carbon emissions by 2050 for UK and European discretionary assets, and for the majority of its multi-client, multi-asset Mercer funds domiciled in Ireland. To achieve this, Mercer set an expectation to reduce portfolio carbon emission intensity by 45 per cent from 2019 baseline levels by 2030.

In order to meet the defined net zero targets, Mercer will use the following key levers:

- Strategic Asset Allocation (SAA) and portfolio construction decisions to allocate to solutions in line with climate goals
- Asset class approach to implementation, e.g. for selecting strategies and mandate guidelines with consideration for climate goal alignment, and other risk and return factors.
- Stewardship, voting and engagement tools, to ultimately target transition within company business models

Mercer is working closely with appointed Sub-Investment Managers to identify and manage a staged emissions reduction plan, oversee fund allocations to climate solutions, and steward an increase in transition capacity across the Mercer Funds.

In order to achieve all of the above, PAIs 1-3 in Table 1 related to carbon emissions will be reviewed and considered on a quarterly basis as described in section (c) above to ensure that Mercer is on track with its stated goals.

Methodology and data used to ensure alignment to TCFD recommendations:

Mercer's approach to its climate-related commitments made in the Sustainability Policy responsible-investment (mercer.com) is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (the TCFD), which has become the industry standard globally.

The TCFD recommendations are categorised into four key areas:

Governance – the organisations governance around climate-related risks and opportunities.

Strategy – the actual and potential impacts of climate-related risks and opportunities on the organisations businesses, strategy, and financial planning.

Risk Management – The processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and targets – The metrics and targets used to assess and manage relevant climate-related risks and opportunities. PAIs 1-3 in Table 1 relating to carbon emissions are used when calculating the metrics as prescribed by the TCFD.

Climate Change Scenario Modelling in adherence with TCFD recommendations

Climate change scenario analysis is used to support strategic asset allocation decisions by testing the resilience of the funds under multiple potential future outcomes. Mercer's forward-looking climate change scenarios cover a range of policy assumptions, market responses, and temperature outcomes.

The Mercer climate scenarios are modelled using the macro-econometric (non-equilibrium) model of Cambridge Econometrics, delivered in partnership with Ortec Finance. Mercer's climate scenarios are developed by building the investment modelling on top of the economic impacts of different climate change scenarios within the E3ME climate model developed by Cambridge Econometrics.

Each climate scenario covers a specific level of warming driven by levels of carbon dioxide (CO_2) and other greenhouse gases. These levels are determined by the policies enacted and the technological developments. The impacts of the warming are shown in the physical damages. E3ME maps this to economic impacts and Ortec's scenario generator maps the economic impacts to investment return impacts by making assumptions on what is priced in currently and how future pricing shocks will occur.

Mercer's scenarios include inhouse views on what is priced in and are built on Mercer's climate aware capital market assumptions.

In line with the TCFD's framework this scenario modelling is completed at least every 3 years.

Historical comparison

A historical comparison of the 2024 period reported on with the previous reported period of 2023 is made in Table 1.