

Mercer Alternatives (Luxembourg) S.à R.L

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Sustainability Policy

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Applicable to	Mercer Alternatives (Luxembourg) S.à R.L. The members of the Board of the IFM All professionals acting for or on behalf of the IFM The Funds themselves and/or General Partners of the AIFs managed by the IFM The members of the Boards of the Funds and/or General Partners of AIFs managed by the IFM All professionals acting for or on behalf of the AIFs and/or the General Partners of an AIF managed by the IFM

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1. Definitions

1.1. Investment Fund Manager (IFM) and Investment Fund related definitions

The following definitions related to Mercer Alternatives (Luxembourg) S.à R.L and the Funds it manages apply throughout this policy:

- **“Mercer Alternatives”** or **“the IFM”** means Mercer Alternatives (Luxembourg) S.à R.L.
- **“AIF”** means Alternative Investment Fund
- **“AIFM”** means Alternative Investment Fund Manager
- **“AIFMD”** means the Alternative Investment Fund Managers Directive
- **“Applicable Law”** means the Luxembourg laws, regulations and CSSF Circulars listed in – Regulatory Framework of the present Policy, referred to collectively as “applicable Luxembourg law”
- **“Board”** means Board of Managers of Mercer Alternatives (Luxembourg) S.à R.L.
- **“Board Members”** means the Members of the Board of Managers of Mercer Alternatives (Luxembourg) S.à R.L.
- **“Common Fund”** means an investment fund which is not in corporate form (i.e. not a legal entity) – an FCP
- **“Conducting Officers”** means the members of Senior Management
- **“CSSF”** means Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*), the competent authority for the supervision of the financial sector in Luxembourg
- **“Distributor”** means a firm that offers, recommends or sells an investment product and service to a client
- **“Employee”** means employee (a member of staff) or secondee
- **“ESG”** means Environmental, Social and Governance
- **“Executive Committee”** means the committee composed of the members of Senior Management of Mercer Alternatives (Luxembourg) S.à R.L.
- **“FCP”** means a common fund (*fonds commun de placement*)
- **“Fund”** means UCI – see *UCI*
- **“General Partner”** means the entity with liability for the commitments of the partnership
- **IFM** means Investment Fund Manager – i.e.:
 - A UCITS Management Company (a Chapter 15 Management Company in Luxembourg) –see UCITS
 - An AIFM
 - Another type of management company (a Chapter 16 Management Company in Luxembourg)
- **“Internal Control Functions”** collectively refers to:
 - The Permanent Risk Management Function
 - The Compliance Function
 - The Internal Audit Function
- **“Investment Fund”** means UCI – see *UCI*
- **“Investment Company”** means an investment fund in corporate form (e.g. a SICAV)
- **“Policy”** means Sustainability policy
- **“Professionals”** means employee (a member of staff) or secondee, Board member or Senior Manager
- **“Senior Management”** means the means the persons who effectively conduct the business of the IFM on a day to day basis
- **“SICAV”** means investment company with variable capital
- **“Sub-fund”** is a compartment of a Fund

- **“Sustainability factors”** mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters
- **“Sustainable Investment”** means an investment in an economic activity that contributes to:
 - An **environmental** objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or
 - A **social** objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communitiesprovided that such investments do not significantly harm any of those objectives and that the investee companies follow **good governance** practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance
- **“Sustainability risk”** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment
- **“The Funds”** means all the Funds managed by Mercer Alternatives (Luxembourg) S.à R.L.
- **“UCI”** means Undertaking for Collective Investment – i.e. a UCITS or an AIF
- **“UCITS”** means Undertaking for Collective Investment in Transferable Securities
- **“UCITS Management Company”** means an IFM authorised to manage a UCITS

1.2. Financial services-related definitions

The following definitions apply related to financial services-related throughout this policy:

- **“Financial products”** means, in the context of IFMs:
 - The funds managed by the IFM
- **“Investment advice”** means the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments
- **“Professional investor”** means a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

Per se professional clients include:

 - (1) Entities which are required to be authorised or regulated to operate in the financial markets.

The list below is understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a third country:

 - Credit institutions
 - Investment firms
 - Other authorised or regulated financial institutions
 - Insurance companies
 - Collective investment schemes and management companies of such schemes
 - Pension funds and management companies of such funds
 - Commodity and commodity derivatives dealers
 - Locals
 - Other institutional investors
 - (2) Large undertakings meeting two of the following size requirements on a company basis:
 - Balance sheet total: €20,000,000
 - Net turnover: €40,000,000
 - Own funds: €2,000,000

- (3) National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations
- (4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Clients who may be treated as professionals on request:

Clients including public sector bodies, local public authorities, municipalities and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules.

Professional clients on request must, *inter alia*, satisfy, as a minimum, two of the following criteria:

- The client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters
 - The size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds €500,000
 - The client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged
- **"Retail investor"** means an investor who is not a professional investor

2. Introduction to Mercer Alternatives (Luxembourg) S.à R.L.

Mercer Alternatives (Luxembourg) S.à R.L. is authorised as:

- An alternative investment fund manager (AIFM) under the Law of 12 July 2013 on alternative investment fund managers (the 2013 Law)
- A Chapter 16 Management company under Article 125-2 of the Law of 17 December 2010, as amended (the 2010 Law)

The IFM is authorised to:

- Manage AIFs, i.e.
 - Investment management:
 - Portfolio management
 - Risk management
 - Fund administration
 - Marketing
 - Activities related to the assets of AIFs

3. Scope

This Policy applies to:

- Mercer Alternatives (Luxembourg) S.à R.L.
- The members of the Board of the IFM
- All professionals acting for or on behalf of the IFM
- The Funds themselves and/or General Partners of the AIFs managed by the IFM
- The members of the Boards of the Funds and/or General Partners of AIFs managed by the IFM
- All professionals acting for or on behalf of the AIFs and/or the General Partners of an AIF managed by the IFM

4. Purpose of the Policy

The purpose of this Sustainability Policy is to define:

- How the IFM integrates **sustainability risks** in its investment strategy and process and remuneration policy
- The **sustainability-related** disclosures made by the IFM and the Funds it manages including, *inter alia*:
 - Website disclosures
 - Pre-contractual disclosures
 - Annual report disclosures
 - Marketing material disclosures

5. Regulatory framework

5.1. Sustainability and ESG

The applicable Laws and Regulations applicable in Luxembourg include the following:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended (referred to as the “Regulation on sustainability-related disclosures in the financial sector”) (directly applicable in Luxembourg)
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (referred to as the “Regulation on the framework for environmentally sustainable investment”) (directly applicable in Luxembourg)

5.2. Long term shareholder engagement

The applicable European Union Directives include the following:

- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement

The applicable Laws and Regulations applicable in Luxembourg include the following:

- Law of 24 May 2011 on the exercise of certain shareholder rights at general meetings of listed companies, as amended, in particular by the Law of 1 August 2019 transposing Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement

5.3. Voting rights

5.3.1. European framework

The applicable European Union Directives and Regulations include the following:

- UCITS Management Companies and self-managed UCITS:
 - Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended (UCITS Directive), as regards depositary functions, remuneration policies and sanctions
 - The Delegated Regulation of the Commission (EU) No. 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries as amended
- AIFMs:
 - Directive (EU) 2011/61 of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (AIFM Directive)
 - Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFM Directive with reference to exemptions, general operating conditions, custodian banks, leverage, transparency and supervision, and in particular Article 37 title thereof (directly applicable in Luxembourg)

5.3.2. Luxembourg framework

The applicable Laws and Regulations applicable in Luxembourg include the following:

- UCITS Management Companies and self-managed UCITS:
 - The Law of 17 December 2010 relating to undertakings for collective investment (the “**2010 Law**”)
 - The CSSF Regulation 10-04 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing the UCITS Directive as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (“CSSF Regulation 10-04”), and in particular Article 23 thereof
 - CSSF Circular 18/698 on Authorisation and organisation of Luxembourg management companies (“**CSSF Circular 18/698**”), as amended, and in particular *Section 5.5.10. Exercise of voting rights* thereof
- AIFMs:
 - The Law of 12 July 2013 on alternative investment fund managers (the “**2013 Law**”), as amended
 - Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFM Directive with reference to exemptions, general operating conditions, custodian banks, leverage, transparency and supervision, and in particular Article 37 title thereof (directly applicable in Luxembourg)
 - CSSF Circular 18/698 on Authorisation and organisation of Luxembourg management companies (“**CSSF Circular 18/698**”), as amended, and in particular *Section 5.5.10. Exercise of voting rights* thereof

6. Roles and responsibilities

6.1. All professionals

All professionals are responsible for:

- Complying with the requirements of this Policy which apply to them

6.2. Board of Managers

The Board of Managers:

- Approves this Policy
- Ensures that this Policy is maintained
- Is ultimately responsible for the implementation of this Policy
- Regularly reviews the reporting provided by the Portfolio Manager

6.3. Executive Committee

The Executive Committee:

- Approves this Policy and submits to the Board for final approval
- Ensures that this Policy is maintained
- Regularly reviews the reporting provided by the Portfolio Manager
- Analysing any points of attention raised by the Portfolio Manager

Where an Investment / Sustainability and Engagement Advisory Committee has been implemented, the Executive Committee reviews the work of the Investment / Sustainability and Engagement Advisory Committee at its monthly meetings.

Where an Investment / Sustainability and Engagement Advisory Committee has not been implemented, the Executive Committee exercises the role of the Investment / Sustainability and Engagement Advisory Committee.

At the date of this Policy, the Executive Committee assumes the role of the Investment / Sustainability and Engagement Advisory Committee

6.4. Investment / Sustainability and Engagement Advisory Committee

The Investment / Sustainability and Engagement Advisory Committee (or the Executive Committee in the absence of an Investment / Sustainability and Engagement Advisory Committee):

- Supports Conducting Officer/Senior Management and the Board in defining the Sustainability Policy
- Supports Conducting Officer/Senior Management and the Board in defining the Sustainability, Engagement and Voting Rights strategy and identifying the most important key sustainability issues for the IFM
- Collaborates with other Group entities to ensure adequate consideration of the Environmental, Social, Governance and Engagement aspects by the IFM
- Oversees the implementation of this Policy on a day-to-day basis including *inter alia*:
 - Oversees dialogue with stakeholders on issues related to Sustainability and Engagement
 - Oversees dialogue and relations with the financial community of investors
 - Carries out the monitoring and assessment of notices of shareholder meetings
 - Considers the decisions taken at general meetings for the achievement of investment strategies

- Ensures that the voting rights are exercised in accordance with the objectives and investment policy of each client
- Supervises the preparation of the required Sustainability and Engagement-related disclosures on behalf of the IFM (e.g. website, pre-contractual disclosures, annual report)
- Defines the Sustainability framework within the IFM where relevant
- Supports training and communication on Sustainability and Engagement issues
- Proposes amendments to and maintains this Policy

6.5. Person responsible for oversight over Portfolio Management function

The Person responsible for oversight over Portfolio Management function is responsible for:

- Performing due diligence on the delegate portfolio manager
- Performing ongoing oversight over the delegate portfolio manager including overseeing compliance by the delegate portfolio manager with the ESG limits on an ongoing basis in collaboration with the Risk Management Function

6.6. Risk Management Function

The Risk Management Function is responsible for:

- Reviewing the Policy
- Monitors the average ESG Rating level of the portfolio on an ongoing basis
- Monitors *ex-post* compliance with the ESG Limits
- Prepares periodic reports to the Investment / Sustainability and Engagement Advisory Committee and Executive Committee with regard to the average ESG Rating level of the portfolio, exposure to the individual ESG Risk Factors and compliance with ESG Limits established

6.7. Compliance Function

The Compliance Function is responsible for:

- Verifying the compliance of Sustainability framework implemented by the IFM with the Law and Regulations
- Reviewing the Policy

7. Mercer Alternatives (Luxembourg) S.à R.L.'s approach to ESG

Mercer Alternatives articulates its approach in its global investments beliefs. These beliefs support the Mercer's commitment to the Principles for Responsible Investment (PRI) and recognise the international and regional guidance on stewardship.

The IFM believes a sustainable investment approach is more likely to create and preserve long-term investment capital and more specifically that:

1. ESG factors can have a material impact on long-term risk and return outcomes, and these should be integrated into the investment process.
2. Taking a broader and longer-term perspective on risk, including identifying sustainability themes and trends, is likely to lead to improved risk management and new investment opportunities.
3. Climate change poses a systemic risk, and investors should consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes.
4. Stewardship (or active ownership) helps the realisation of long-term shareholder value by providing investors with an opportunity to enhance the value of companies and markets.

Consequently, the IFM believes that a sustainable investment approach that considers these risks and opportunities is in the best interests of investors.

8. How the IFM integrates Sustainability/ESG into the investment process

The Portfolio Management Function of the IFM is delegated, and the IFM retains oversight of the activities of the Portfolio Manager. In this regard, the IFM ensures that the Sustainable Investment Policy of the Portfolio Manager (“the Portfolio Manager’s Policy”) is compliant with the relevant regulations. The Portfolio Manager’s Policy is included as Annex I.

For funds which promote, *inter alia*, ESG characteristics (“Article 8 Funds”), the Sustainable Opportunities Solutions Investment Guidelines of the Portfolio Manager is included as Annex II and is reviewed and acknowledged by the AIFM.

9. Transparency

The IFM ensures that the required disclosures are made including:

- Shareholder engagement disclosures
- Voting rights disclosures
- Sustainability-related disclosures

The disclosures are made:

- On website
- In the pre-contractual disclosures, where relevant
- In the annual reporting, where relevant

The following table summarises the sustainability-related disclosure requirements applicable to the IFM:

Key requirements of the Regulation on sustainability-related disclosures in the financial sector and implementation deadlines			
Level	Requirements	Article ref	Deadline
IFM	Implementation of a policy on the integration of sustainability risks in their investment decision-making process, and publication of the policy on the website	Article 3	10 March 2021
	Remuneration policies must be consistent with the integration of sustainability risks, and information on how sustainability is integrated into the policy must be published on the website	Article 5	10 March 2021
IFM	Website disclosure of either of the following: <ul style="list-style-type: none"> ▪ A statement on their due diligence policies on the consideration of principal adverse impacts of investment decisions on sustainability factors ▪ Clear reasons for why they do not consider the principal adverse impacts of investment decisions on 	Article 4	10 March 2021

Key requirements of the Regulation on sustainability-related disclosures in the financial sector and implementation deadlines			
Level	Requirements	Article ref	Deadline
	sustainability factors and, where relevant, information as to whether and when they intend to consider such adverse impacts		
All Funds	Pre-contractual disclosure (e.g. prospectus or issuing document) of either of the following: <ul style="list-style-type: none"> ▪ The manner in which sustainability risks are integrated into investment decisions and the results of the assessment of the likely impacts of sustainability risks on the returns ▪ The reasons why the financial market participant deems sustainability risks not to be relevant 	Article 6	10 March 2021
Funds which promote, <i>inter alia</i> , ESG characteristics	Additional pre-contractual disclosure	Article 8	10 March 2021
	Website disclosures	Article 10	10 March 2021
	Periodic report (annual report) disclosures	Article 11	1 January 2022
Funds which promote the environmental characteristics of one or both of: <ul style="list-style-type: none"> ▪ Climate change mitigation ▪ Climate change adaptation 	Additional pre-contractual disclosures	Article 8	1 January 2022
	Additional periodic report disclosures	Article 11	1 January 2022
Funds which promote the environmental characteristics of one or more of: <ul style="list-style-type: none"> ▪ The sustainable use and protection of water and marine resources ▪ The transition to a circular economy ▪ Pollution prevention and control ▪ The protection and restoration of biodiversity and ecosystems 	Additional pre-contractual disclosures	Article 8	1 January 2023
	Additional periodic report disclosures	Article 11	1 January 2023

Key requirements of the Regulation on sustainability-related disclosures in the financial sector and implementation deadlines			
Level	Requirements	Article ref	Deadline
Funds which have sustainable investment as their objective	Additional pre-contractual product document disclosure	Article 9	10 March 2021
	Website disclosures	Article 10	10 March 2021
	Periodic report disclosures	Article 11	1 January 2022
Funds of financial market participants which consider the principal adverse impacts of investment decisions on sustainability factors	Additional pre-contractual disclosure on adverse impacts on sustainability factors	Article 7	30 December 2022
Funds which do not promote ESG characteristics and do not have sustainable investment as their objective	Additional pre-contractual disclosure regarding environmentally sustainable economic activities (Regulation on the framework for environmentally sustainable investment)	Article 8	1 January 2022
	Additional periodic report disclosures regarding environmentally sustainable economic activities (Regulation on the framework for environmentally sustainable investment)	Article 11	1 January 2022

10. Policy development and review

This Policy will be reviewed by the Compliance Function and Senior Management at least once every 2 years, as well as on *an ad-hoc* basis, where necessary, for the Policy to remain robust and fit for its purpose and/ or in order to reflect any updates in the applicable requirements.

Following such review, the Policy must be approved by the Board of Managers and made available to the employees.