

Mercer (Ireland) Limited
Sustainability Policy
(Sustainability Integration in the
Investments Process)



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1. Introduction

Mercer, through its Global Investment Consulting practice, has had a specialised Responsible Investment Team and has advised investors on all aspects of responsible investment (RI) since 2004. This experience and Mercer's Sustainable Investment Beliefs first published in 2018 informs the approach taken by Mercer (Ireland) Limited ("MIL") to investment decision making and advice on integration of sustainability risks and the provision of sustainability-related information with respect to financial products. This Sustainability Policy ("Policy") articulates our approach to consideration of sustainability factors across all aspects of MIL's activities, namely:

- Environmental Social and Governance (ESG)
- Sustainability trends & themes
- Climate change
- Stewardship and Engagement
- Sustainability preferences
- Adverse sustainability impacts
- Collaborations

This policy presents the general principles that guide our practices and references more detailed rules and regulatory compliance documentation found elsewhere, including pre-contractual and periodic statements, as well as specific policies such as the remuneration policy, which addresses alignment with sustainability risks, and our internal investment due diligence and risk management policies. We have also revised our Internal Procedures & Best Practice Guide, along with our marketing materials. Furthermore, MIL has separate policies and frameworks that outline our corporate approach to Sustainability and ESG considerations.

2. Authorisation status & regulatory framework

MIL is authorised and regulated by the Central Bank of Ireland pursuant to the European Union (Markets in Financial Instruments), Regulations 2017, which transposes Directive 2014/65/EU ("MiFID II") & is also authorised and regulated pursuant to the European Communities (Insurance Mediation) Regulations, 2005 and the Investment Intermediaries Act, 1995. Under 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 ("The Disclosure Regulations") MIL meets the definition under:

- Article 2 (1) d: Of a financial market participant due to its role as co-manufacturer of a pension product in the form of the Aspire range.

MIL is considered a co-manufacturer of the Aspire product. We have two offerings Mercer Aspire with Zurich Life Assurance plc and Mercer Aspire with New Ireland Assurance Company plc. Mercer Aspire provides access to well diversified funds managed by highly

rated managers as well as best in class member communications. As part of this Mercer Global Investments Europe (“MGIE”) manages investment options against agreed investment guidelines. MGIE does not select individual stocks but, using Mercer’s global manager research capabilities is responsible for selecting, blending and monitoring specialist investment managers on the Trustee(s) behalf in each area. These specialist investment managers are subject to the MGIE [Sustainable Investment Policy](#) .

Mercer’s Sustainable Investment Philosophy and the MGIE Sustainability Policy are considered by the Aspire Strategic Committee and its sub-committees, particularly the Aspire Investment Committee, in their decision -making processes.

MIL also meets the definition under:

- Article 2 (11) (a) & (e): Of a financial market advisor due to its role as an insurance intermediary who provides insurance advice with regard to IBIPs and an investment firm who provides investment advice.

This policy sets out how MIL implements sustainable investment insight through its role as both a financial market participant and financial market advisor

3. Our Philosophy

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



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

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

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

(b) Strong governance - *Effective stewardship plays a crucial role in improving investment outcomes.* Effective stewardship and engagement with companies, policymakers and stakeholders plays an important role in value creation through the deployment of investor rights and influence. Clear stewardship objectives, meaningful escalation mechanisms in response to unsuccessful engagements, and the feedback loop between stewardship activities and portfolio positioning (including, in some cases, exclusions) are all key to effective stewardship. Stewardship, which involves using voting rights and engaging with companies, can be enhanced through industry-based collaborative initiatives that promote the sharing of public information among investors. This sharing of information helps support each investor in making well-informed decisions.

(c) Rewarded risk - *Integrating financially material sustainability transition and socio-economic risks into investment decision-making can potentially enhance portfolio resilience.* Considering the risks associated with climate transition, natural resource challenges, and socio-economic developments as part of an investor's risk management process can assist in positioning their portfolio across time horizons. This proactive approach enables investors to adapt to potentially changing market dynamics because of these trends.

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

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

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

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

4. MIL approach

MIL's approach is focused on the integration of environmental, social & corporate governance (ESG) risks and opportunities into the investment process, and that this is in the best interests of our clients under Mercer Aspire. MIL commits to:

- educating and increasing our knowledge regarding ESG and how these are incorporated into our advice in relation to our products and services.

- enabling our clients to make informed decisions on relevant ESG aspects through our advice and being transparent in such aspects.
- increasing the integration of ESG aspects when developing advice related to our services

4.1 Integration of ESG factors

MIL acknowledges that ESG risks and opportunities can have a material impact on long-term risk and return outcomes. Consequently, an investment approach, which considers such risks and opportunities, is promoted. MIL clients receive continuous flows of information and insight in relation to sustainability throughout all MIL engagements, from investment strategy and governance discussion to the selection and monitoring of investment managers.

MIL, within the Aspire solution, expects that appointed managers assess and reflect sustainability risks and opportunities in security or asset selection and portfolio construction. The degree of relevance or materiality varies across asset classes and type of investment strategy the managers use.

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

Figure 2. ESG Factors

Environmental	Social	Governance
• Climate change • Water • Waste and pollution • Nature & biodiversity loss	• Labour standards and modern slavery (including the supply chain) • Human rights and community impacts • Health and safety • Social inequality • Demographics/ consumption	• Board diversity, composition, independence and effectiveness • Executive remuneration • Conduct, culture and ethics • Shareholder rights

An investment manager’s ESG capabilities and the extent of ESG integration within a strategy form an important part of the Mercer’s investment manager selection process.

During the investment manager selection process, and on a periodic basis, Mercer will qualitatively assess an investment strategy’s level of ESG integration in the investment process, including ESG resourcing by the investment manager.

Among other things, this draws on the analysis of Mercer’s wider Manager Research team, which considers a manager’s approach to ESG integration, stewardship practices and its capital allocation to sustainable opportunities in its overall rating process of investment strategies.

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 Investor Chapter of the 30% Club.

At the entity level, in accordance with the Sustainable Finance Disclosure Regulation (“SFDR”) Mercer Ireland also considers the principal adverse impacts of investment decisions on sustainability factors. More detail on this can be found

Mercer sees rapid developments underway in how investors approach sustainability. Most notably, regulatory initiatives redefine sustainable investment in key global jurisdictions today and the importance of the United Nations Sustainable Development Goals (SDGs). The SDGs signpost interconnected global challenges across social and environmental issues and related investment themes. Mercer may use the data and tools of third-party data providers to measure the extent to which companies (for the listed equity and corporate credit holdings) products and services contribute to (or detract from) sustainability challenges, as grouped by the SDGs.

For individual Aspire Funds pre-contractual information and sustainability risk integration details please visit our [Sustainable Investment](#) page.

MIL has adopted remuneration policies that are consistent with the integration of sustainability risks. Remuneration policies can be accessed on our [Sustainable Investment](#) page

The Aspire Strategic Committee and its sub-committees, in particular the Aspire Investment Committee, implement the above approaches and considerations for Mercer Aspire.

4.2. Sustainability Trends & Themes – a broader perspective on risk and opportunity

MIL believes that including exposures to strategies promoting and targeting sustainable investment objectives by identifying transformative investments is likely to lead to improved risk management and new investment return opportunities. In addition to “pure-play” allocations to for example, clean energy, water, timber or agriculture, this can include “broad sustainability” promoting allocations to companies providing sustainable goods and services, lower exposure to transition risks or solutions to environmental or social matters. When it comes to specific sustainability-themed strategies, such strategies are more prevalent in equities and real assets, although this is an area that is fast developing and our advice on the appropriate strategy and manager selection considers thematic exposures across the investment universe.

MIL may include specific allocations to these areas within our recommended best ideas growth portfolios and reference portfolios

MIL also offer Article 8 investment options, as categorised by the Sustainable Finance Disclosure Regulation, under Mercer Aspire

4.3. Climate change – a key risk and opportunity

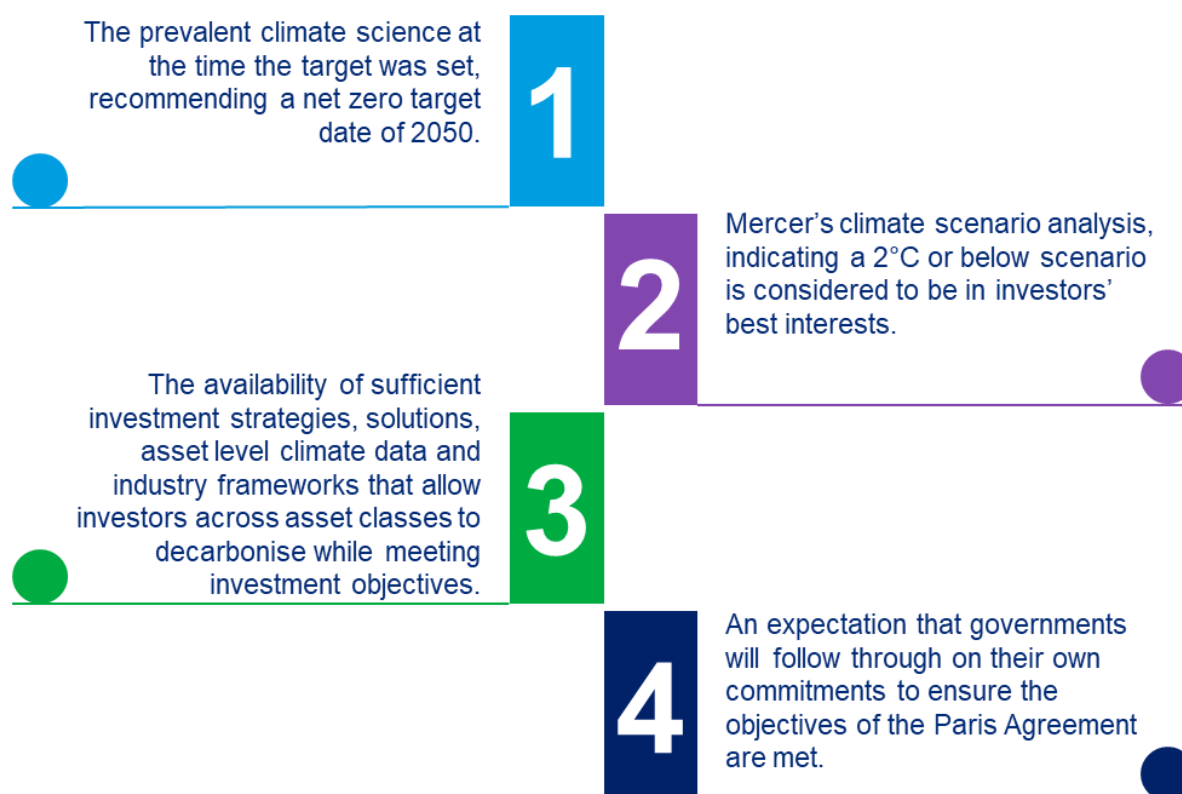
MIL believes climate change poses a systemic risk and recognizes that limiting global average temperature increases this century to “well below two degrees Celsius”, as per the 2015 Paris Agreement, is likely to be aligned with the best financial outcome for long-term diversified investors, such as those who typically invest in the Funds.

Mercer supports this end goal and increasingly seeks to align portfolios with this goal where this is also consistent with meeting stated investment objectives.

This is demonstrated by MIL's target to achieve net-zero absolute portfolio carbon emissions for our Aspire Multi Asset Portfolios (This is limited to the following High, Moderate and Cautious Growth portfolios).

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

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



4.4. Stewardship and Engagement

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

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

Stewardship helps in the realisation of long-term value. In companies with inactive/disengaged owners and stakeholders, the chances are greater that company management will act in ways detrimental to stakeholders' interests. Stewardship — exercised through voting and engagement — provides diversified investors with an opportunity to enhance the value of companies and markets.

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

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

5. Sustainability preferences – a cornerstone in a relationship

In addition to obtaining information about a client's investment perspectives and assessing their investment risk profile, MIL also ensures that ESG issues and objectives are considered. Through adherence to the approach described in this policy, MIL ensures that sustainability considerations and preferences are assessed and integrated. This means, as outlined above, that in the description of the factors taken into consideration in the investment decision process, for example selection of an investment strategy, along with such factors as the risks, costs and complexity of instruments sustainability is included. In its capacity as service provider, Mercer does not invest in companies directly and as such has no conflicts of interest in relation to the integration of ESG. Mercer's approach to managing potential conflict of interests can be found [here](#).

6. MIL's approach to considering adverse sustainability impacts

Under Article 4 of the Disclosure Regulations there is a requirement for firms to publish and maintain on the website whether principal adverse impacts of investment decisions on sustainability factors are considered through the types of financial products they make available (Financial Market Participant); & the types of financial products they advise on (Financial Advisors). MIL provides details of this here: [Sustainable Investment](#)

7. Collaborations

Our parent company was a founding (and continuing) signatory to the Principles of Responsible Investment (PRI). Mercer is also a supporting member of TCFD and a member of IIGCC. Locally MIL participates in collaborative industry initiatives such as the Society of Actuaries in Ireland Sustainability and Climate Change Committee among other initiatives.

8. Availability of this policy

This policy is provided to all clients before the provision of relevant services and is also available on [Responsible Investment | Mercer Ireland](#)

9. Policy review and approval

This policy was reviewed by Executive Risk Committee (“ERC”) and the Board Risk & Compliance Committee (“BRCC”) prior to being approved by the Board of Directors of Mercer Ireland Limited. This policy will be subject to an annual review.

Version Control

Version	Prepared by	Reviewed By	Approved By	Effective date
1	Responsible Investment Team & Compliance	Executive Risk Committee & Board Risk & Compliance Committee	Board of Directors	March 2021
2	Compliance	Executive Risk Committee & Board Risk & Compliance Committee	Board of Directors	March 2022
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MERCER

A MARSH BUSINESS

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Mercer (Ireland) Limited, trading as Mercer, is regulated by the Central Bank of Ireland.

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