

Mercer Investments

Conflicts of Interest Statement

March 2023

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Introduction

Mercer is a global consulting leader in health, wealth and career. Mercer helps clients around the world advance the health, wealth, and performance of their most vital asset — their people. Mercer is a division of Marsh & McLennan Companies, Inc. (NYSE: MMC). Mercer has been dedicated to meeting the needs of clients for more than 70 years.

Mercer's Wealth business is a leading global provider of investment and retirement services.

Investment services provided by the Investments segment of Mercer's Wealth business ("Mercer Investments") include the provision of research, analytical tools, and investment advice, as well as the implementation of investment advice, including discretionary management of investment portfolios and investment funds. This Statement summarizes general conflicts of interest that Mercer has identified with respect to Mercer Investments and describes how Mercer manages and mitigates them. It is not intended to provide an exhaustive list of all conflicts that currently exist or that could exist in the future. As a global disclosure document, this Statement is not intended to, and does not, address all conflicts of interest in each country or region where Mercer provides investment services and is not intended to take precedence over separate conflicts of interest statements issued by Mercer to satisfy local regulations. It also is not intended to cover conflicts of interest that may relate to your relationship with other Mercer or Marsh McLennan lines of business or segments.

Conflicts of interest — real or apparent — are instances where a person or firm has an incentive to serve one interest at the expense of another. Some of these conflicts are inherent to any large, diversified professional services firm, while others stem from the nature of the services Mercer offers to clients. Mercer is committed to conducting business ethically and transparently. Mercer seeks to manage these conflicts primarily with policies and procedures that are designed to protect client interests as well as through disclosure. Moreover, Mercer's client relationships would be undermined by risking sub-standard investment results through decision-making based on factors other than investment processes and best thinking.

If you have any questions or would like more information about specific topics after reading this document, please call your Mercer contact.

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Definitions

Terms used in this Conflicts of Interest Statement have the following meaning:

“Investment Solutions” (formerly “Delegated Solutions”) refers to investment management services provided by Mercer, typically where Mercer exercises discretionary authority over a client’s portfolio or a portion thereof.

“Marsh McLennan” refers to Marsh & McLennan Companies, Inc. together with its affiliates.

“Mercer” refers to a business of Marsh McLennan operating through various legal entities worldwide.

“Mercer Fund” refers to an investment fund organized and managed by a Mercer entity.

“Mercer Wealth” refers to Mercer’s line of business that provides investment and retirement services.

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Conflict awareness

The identification, avoidance or management, and mitigation of conflicts of interest is an ongoing process. Mercer believes that it creates a conflict-aware environment through its governance and oversight processes, communications with clients, disclosure reviews, peer review procedures, and its ongoing training, monitoring, and testing. Core to this process are the following elements:

- *Code of Conduct* — Employees are required to comply with Marsh McLennan's Code of Conduct, [The Greater Good](#), as a condition of employment. The Greater Good has clear requirements and guidelines for dealing with ethical matters, including conflicts of interest.
- *Gifts and Entertainment Policy* — Employees are required to comply with a gifts and entertainment policy, which is designed to ensure that they are not unduly influenced by the receipt of gifts, meals, or entertainment.
- *Confidentiality Obligations* — Employees are made aware of their obligations to protect client confidentiality and to comply with insider trading and related laws and regulations.
- *Personal Investing Reporting* — Certain employees of Mercer Wealth are also subject to policies governing their personal investing as required by applicable law, which in general require certain personal investments be reported and/or pre-cleared where applicable.
- *Directorships and Outside Positions* – Employees are required to seek approval before accepting and holding non-Mercer positions that create potential conflicts of interest.
- *Research and Ratings Process* — Researchers and relevant staff operate under policies and guidelines and are provided with training intended to protect the integrity of the investment research and ratings process. Research represents the specialist's or team's own opinion of a strategy or subject, without regard to Mercer's or Marsh McLennan's business relationships.

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Types of conflicts

Conflicts can arise for example between:

- Mercer and its clients
- Lines of business or legal entities within Mercer and/or Marsh McLennan
- Mercer management or employees and Mercer clients
- Clients or groups of clients

Conflicts of interest can occur, for example:

- Through earning higher revenues or profits from certain types of client arrangements, including through providing a more complex, higher-cost solution for clients when a simpler, lower-cost solution is available
- From relationships Mercer has with providers of services or products to its clients, including fee arrangements or commission
- Due to the receipt of confidential information
- Through performance-related remuneration paid to Mercer employees
- Through personal relationships Mercer's employees have with its clients or service providers
- From gifts or entertainment provided to clients or prospects, or received by staff from current or prospective service providers
- Due to employees holding non-Mercer positions

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Specific conflicts

The following describes certain of Mercer Investments' potential conflicts and how they are managed and mitigated.

Conflicts between Mercer and its clients

Mercer Investments' services are delivered along a continuum that allows clients to select their preferred level of interaction with Mercer. While this business model provides significant flexibility for clients, Mercer recognizes that it can create a conflict between Mercer's own interests and those of its clients. The following describes key conflicts of this type and how they are managed and mitigated.

Fee arrangements with clients

Mercer offers a wide range of investment services to its clients, with a variety of fee arrangements. Current fee arrangements include fixed fees, time-based fees, commissions, fees based on assets under advisement or management, and fees with performance adjustments.

Mercer's Investment Solutions are implemented using third-party asset managers. Mercer seeks to negotiate the lowest fee possible under the circumstances with third-party asset managers used in its Investment Solutions products and services.

In certain jurisdictions, Mercer implements its Investment Solutions through the use of the Mercer Funds. Mercer receives a fee from certain Mercer Funds, which could create the incentive to offer, recommend, or select one Mercer Fund over another or over third-party funds.

Depending on client preferences, Mercer has fee arrangements with some Investment Solutions clients that result in a fee paid to Mercer that is broken out from (and in addition to) investment management fees paid by Mercer to third-party asset managers. Mercer refers to this arrangement as "net fee" or "unbundled fee". Mercer has fee arrangements with other Investment Solutions clients that result in a fee paid to Mercer that is inclusive of the investment management fees paid by Mercer to third-party asset managers. Mercer refers to this arrangement as "gross fee" or "bundled fee". In a gross fee arrangement, Mercer would benefit by selecting asset classes or third-party asset managers where Mercer has negotiated a lower fee or a volume discount arrangement (i.e., the fee payable to the manager decreases as the amount of assets under management with that manager increases). Mercer could also have an incentive to select third-party asset managers based primarily on those managers' fees.

Mitigation

- Mercer follows documented processes for researching, rating, recommending, or selecting third-party asset managers using multiple factors and not based on fees alone. These processes follow consistent governance practices for all services.

- Mercer's fee arrangements are described clearly in disclosure documents and/or in client agreements and are structured to comply with applicable law. Mercer seeks to structure fee arrangements with clients and Mercer Funds to remove the incentive to recommend one Mercer Fund over another or a third-party fund, for example through the use of fee waivers and/or credits. If Mercer receives a fee from a client and a fee from a Mercer Fund in which the client invests, such fees will be disclosed to the client. In certain cases, a client may be asked to acknowledge or approve the investment in the Mercer Fund, for example, through authorization in an investment management agreement between Mercer and the client.
- When making asset-allocation or funding decisions or recommendations, Mercer considers several factors unique to each client's investment needs and objectives, financial circumstances, risk tolerances, and the long-term return and risk profile of various asset classes. In addition, the client typically provides Mercer with asset-allocation or risk parameters within which its account should be managed; these cannot be changed without client consent.
- Mercer typically establishes and regularly reviews performance and risk objectives with its clients.

Conflicts arising from multiple lines of business or legal entities within Mercer and/or Marsh McLennan

Services and solutions

Mercer Investments offers clients a number of services and solutions ranging from advice on asset allocation, asset classes, investment strategies, specific investments and investment providers, including manager recommendations, to implementation of investment recommendations or discretionary investment management arrangements. Mercer's Investment Solutions business seeks to incorporate Mercer's best ideas in relation to investment management and, in some situations, provide those services in conjunction with Mercer's best ideas in non-investment management areas. Examples of such solutions include implemented consulting and Mercer's dynamic de-risking service. In some jurisdictions, Mercer provides a platform for accessing manager portfolios. These solutions, which typically use Mercer Funds, can create a conflict between Mercer's interests and the interests of clients.

When a client chooses to work with Mercer as an Investment Solutions client, Mercer will typically earn more revenue or profit than if the client instead chooses to receive services under an advisory-only relationship. This could create an incentive for Mercer colleagues to inappropriately introduce Investment Solutions to clients and prospective clients. In addition, Mercer considers colleagues' overall contributions to new business goals when determining compensation, and certain employees of Mercer and affiliated companies are eligible to receive direct incentive compensation as a result of referring prospects to Investment Solutions as permitted under applicable local laws, each of which could create a similar incentive for these employees.

Moreover, in discussing potential service offerings with a client, Mercer would not ordinarily recommend the use of another provider's investment services, where Mercer provides such services itself.

If a client transitions from an advisory-only relationship to Investment Solutions, Mercer may continue to provide advisory services as a component part of its Investment Solutions. This could create a potential conflict if Mercer were to evaluate its own Investment Solutions offering compared to other providers' offerings of similar solutions as part of the ongoing advisory services. However, as noted below, it is Mercer's policy not to evaluate its own services or performance.

When a client retains Mercer to provide both investment and non-investment services (e.g., advice on managing pension risk through annuity buyouts and similar strategies) at the same time, this could create an incentive for Mercer to provide advice that it expects would result in a client maintaining, prolonging, or increasing the investment services, so as to increase revenue to Mercer.

Mitigation

- Mercer has adopted protocols to be followed when introducing Investment Solutions to clients. These protocols include disclosures to allow clients to fully understand the difference between working with Mercer under an advisory-only approach and under an Investment Solutions approach, so that clients can make an informed decision.
- It is Mercer's policy that Investment Solutions and Mercer Funds should only be offered to a client if Mercer reasonably believes it would be appropriate for the client's needs.
- Clear disclosures regarding fees and services are provided to clients prior to take-on.
- Mercer has also adopted protocols to be followed in order for its or its affiliates' employees to be eligible to receive direct compensation for referring prospects to Investment Solutions, including requiring the referring colleague to provide written disclosure to the prospect describing the referral compensation that the colleague will receive if the prospect becomes an Investment Solutions client. Wealth employees are not eligible for direct incentive compensation for referring existing clients to whom they provide investment advisory services. Additionally, when considering a colleague's overall contributions to new business goals in determining an individual's overall remuneration, Mercer operates a formal performance appraisal and reward system, designed to take many factors into account (i.e., not only success in achieving business development goals).
- When providing advisory services as a component of Investment Solutions, the nature of the advice provided differs from the type of advice that was previously provided by Mercer to a client under an advisory-only relationship. In particular, commentary on performance, and advice on potential alternatives, would be confined to the service being provided and solutions, strategies and funds available within Mercer's Investment Solutions framework. Mercer will not evaluate its own services or performance in comparison to other service providers.
- Where deemed appropriate, Mercer establishes information barriers between Mercer teams providing separate services to the same client (or connected clients), consistent with applicable law, and with the best interests of the client in mind.

Availability of asset manager research

Mercer could have an incentive to provide its research on third-party asset managers to certain clients or to consulting or Investment Solutions teams before providing the same information to other Mercer clients. Examples of potentially valuable information include a change to Mercer's rating of an investment strategy offered by a third-party asset manager or a manager's capacity to accept new investments in a particular strategy or fund.

In certain countries in Asia, Mercer offers Mercer FundWatch™, a web-based, publicly available ratings service based on Mercer's global research on third-party asset managers. Mercer FundWatch rates funds that are available to individual investors in those countries. As part of this service, financial services firms that manage or distribute investment funds will typically pay Mercer to have their fund reviewed and rated and can elect to have the rating published. Since firms whose funds receive lower ratings would be expected to be less likely to pay for their funds to be listed, and since such firms may be disinclined to expand their business relationships with Mercer, Mercer could have an incentive to provide higher ratings to firms with funds participating in Mercer FundWatch.

Mitigation

- Mercer makes new or updated manager research available at the same time to all subscribers and users of MercerInsight (internally and externally) by publishing it on the database. Research includes such information as news items regarding a third-party asset manager, decisions by the manager research team to change the rating of a manager's strategy, and information about a manager's capacity to accept new investments.
- Mercer's manager research and the fund rating activities of Mercer FundWatch follow a uniform and consistent due diligence process in determining third-party asset manager ratings (and in the case of Mercer FundWatch, fund ratings), including peer review and final ratification of ratings by designated committees.
- Mercer's manager research team, which also produces Mercer FundWatch ratings, is separate and distinct from Mercer personnel who are responsible for the financial success of Mercer's manager research and ratings distribution, and the remuneration of Mercer's manager research team is not directly linked to sales of that research. Manager research staff are evaluated on the outperformance of their highly rated strategies, and not by sales of these reports or other revenue or sales activities related to the distribution of manager research or ratings.

Issuance of Certain Securities

Certain Mercer affiliates may be involved in the issuance of securities; for example, a Mercer Investments business, Mercer Investments (HK) Limited (MIHK), is involved in the origination and placement of insurance-linked securities ("ILSes" and each an "ILS"). ILSes are bonds issued by insurance or reinsurance entities through which investors participate in insurance risk in return for a stated premium.

This activity may give rise to a conflict or the appearance of a conflict if Mercer recommends that a client invest in ILSes that may include those which MIHK has originated or marketed,

or in other types of securities where a Mercer affiliate is involved in the issuance. Similarly, asset managers hired by Mercer to manage the Mercer Funds or other client accounts may invest the assets of a fund or account in an ILS originated or marketed by MIHK, or in another type of security where a Mercer affiliate is involved in the issuance.

Mitigation

- A Mercer affiliate's role relative to any ILS, or other security in which the Mercer affiliate is involved in the issuance, will be disclosed in the offering material for such ILS or other security.
- Mercer follows documented processes for rating, recommending, or selecting a third-party asset manager's strategies. These processes follow consistent global governance practices. Investment in any particular security issuance is not a consideration in Mercer's ratings process.

Arrangements with asset managers and other service providers

Mercer could have an incentive to assign favorable ratings and allocate client assets to certain third-party asset managers based on fee arrangements in place between Mercer and the manager. For example, Mercer would have an incentive to favor third-party asset managers that provide volume discounts based on the amount of Mercer's clients' assets under management, or who pay for their investment fund to be rated via Mercer FundWatch.

In addition, some third-party asset managers (or their affiliates) whose strategies Mercer rates, reviews, and/or recommends are also clients of Mercer or its affiliates. For example, these firms may have engaged Mercer or its affiliates to provide services, purchased licenses to use Mercer's proprietary software and databases, and/or paid to attend Mercer's Global Investment Forums. Mercer or its affiliates provide consulting or Investment Solutions to certain parent companies or affiliates of managers that are recommended or used by Mercer or its affiliates globally. The revenue Mercer or its affiliates earn from these third-party asset managers or their affiliates, as clients, could create an incentive to recommend these managers or their strategies more highly than those of other managers, potentially impairing Mercer's ability to select or terminate them objectively.

In conjunction with providing Investment Solutions services, Mercer sometimes selects and oversees other types of service providers with whom Mercer or its affiliates have other business relationships, including client relationships, distribution or referral arrangements, recordkeeping or administration, or subcontracting relationships. The commercial benefits received from these relationships could present a conflict of interest for Mercer in the selection, oversight and termination decisions with respect to such service providers.

Mitigation

- Mercer follows documented processes for rating, recommending, or selecting a third-party asset manager's strategies. These processes follow consistent global governance practices.
- Mercer does not consider the status of a third-party asset manager or other service provider as a client of Mercer or its affiliates, or other commercial relationships with a service provider, at any time during the investment evaluation, selection, or termination process.

- Mercer has adopted vendor selection processes that are reasonably designed to protect against preferential treatment for a third-party asset manager or other service provider that is also a client of Mercer or its affiliates.
- Mercer's manager research team, which also produces Mercer FundWatch ratings, is separate and distinct from Mercer personnel who are responsible for the financial success of Mercer's manager research and ratings distribution, and the remuneration of Mercer's manager research team is not directly linked to sales of that research. Manager research staff are evaluated on the outperformance of their highly rated strategies, and not by sales of these reports or other revenue or sales activities related to the distribution of manager research or ratings.

Conflicts between the interests of clients and employees, their family members or significant personal relationships

Circumstances involving Mercer employees, their family members or persons with whom employees have significant personal relationships can give rise to conflicts of interest between such persons and Mercer's clients. Examples of such conflicts may include:

- Access to confidential information in a corporate entity in which an employee has or could acquire a personal shareholding
- Personal benefits received from service providers, e.g., gifts and entertainment
- Personal relationships with personnel of an asset manager or service provider could influence a Mercer employee's assessment of the asset manager or service provider
- Remuneration of individuals linked to their achievement of certain financial goals such as revenue targets
- Conflicts arising from an individual holding non-Mercer roles (such as serving as a director on a board of a non-Mercer business) in addition to their role at Mercer

Mitigation

- Mercer has policies, procedures and codes in place to minimize such conflicts including The Greater Good, Personal Securities Trading Policies, Gifts and Entertainment Policies and Policies on Holding Outside Directorships.
- Mercer follows documented processes for rating, recommending, or selecting a third-party asset manager's strategies. These processes follow consistent global governance practices irrespective of any personal connections among employees.
- Mercer has adopted vendor selection processes that are reasonably designed to protect against preferential treatment for a third-party asset manager or other service provider whose employee(s) have personal connection(s) with Mercer employee(s).
- Compliance with key policies is monitored and mandatory training is deployed to personnel.
- Mercer operates a formal performance appraisal and reward system, designed to take many factors into account (i.e., not only success in achieving sales goals) when determining an individual's remuneration.

Conflicts among Mercer Investments' clients

Mercer has a large and diverse client base, some of whom compete with one another in the same industry or sector or compete with one another for limited investment opportunities. Mercer recognizes that there could be an incentive to favor clients that are perceived to be more valuable to Mercer over others that are perceived to be less valuable. Mercer might also have an incentive to favor Mercer Funds over other discretionary client accounts.

Mercer's clients are also likely to have differing investment objectives, regulatory requirements, and values or preferences, for example as it relates to sustainable investing.

Mitigation

- Although Mercer can provide different or customized research to different clients, depending on individual circumstances or upon request, Mercer does not differentiate between or favor certain clients over others with respect to timing of the release of manager research ratings information via the MercerInsight platform.
- Mercer's investment decision-making process for the Mercer Funds and other discretionary client accounts is carried out pursuant to a consistent process, taking into account relevant regulatory requirements, and overseen by discretionary governance committees in the relevant jurisdiction, whose members are trained on the fiduciary obligations owed to clients.
- Mercer seeks to allocate limited investment opportunities among clients on a reasonable and fair basis pursuant to a Global Allocation policy, which takes into account the services Mercer has agreed to provide its clients, their individual objectives, mandates and/or investment strategies, and other relevant factors.
- Mercer Investments draws on a breadth of global resources to develop intellectual capital that can be implemented locally, and on a client-by-client basis, to meet each client where they are, taking into account their particular solutions needs, investment objectives, regulatory considerations, and preferences.
- Mercer believes clients benefit from the diversity of opinions and the individualized, and sometimes subjective, judgments of each consultant with respect to each client. Accordingly, investment advice is tailored to the individual client's objectives, which will sometimes result in different or customized advice to different clients. However, standardized processes are in place to enable Mercer to devote the time and resources necessary to fulfill its obligations to each client.

If you would like further information, please alert your usual Mercer contact.



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