

MERCER
A MARSH BUSINESS

TCFD Entity Report (UK)

Mercer Limited
2025 Reporting Period





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1 Our ESG approach

This report is the fourth annual Task Force on Climate-Related Financial Disclosures (“TCFD”) entity report that has been prepared for Mercer Limited (“Mercer”) pursuant to Chapter 2 of the Financial Conduct Authority (“FCA”) ESG Sourcebook. It relates to the reporting period from 1 January 2025 to 31 December 2025.

Mercer, as a subsidiary of Marsh & McLennan Companies, Inc. (“**Marsh**” or the “**Group**”), shares the Group’s climate-related ambitions and integrates the Group’s climate and business responsibility initiatives into strategy, decision-making and business processes, considering the UK market within which Mercer operates. References to ‘we’ and ‘our’ refer to Mercer unless stated otherwise.

Further information on Group structure, how this informs our Environmental, Social and Governance (“**ESG**”) approach, and the basis and disclaimers for this document are set out at section 2.2.

We have formally integrated business-responsibility factors into our decision-making processes since 2008 and believe transparent and consistent disclosure supports better-informed business and investment decisions.

The Marsh Business Responsibility Committee (the “**Business Responsibility Committee**”) oversees and supports the Group’s climate ambitions and reports to the Marsh & McLennan Companies, Inc. Board. The Business Responsibility Committee and the Marsh & McLennan Companies, Inc. Board are supported by the Management Business Responsibility Committee (the “**Management Business Responsibility Committee**”) in identifying and advancing climate-related priorities across the Group. The Management Responsibility Committee comprises senior leaders from across our global businesses and corporate functions.

This report explains how the Group’s business-responsibility philosophy and initiatives are integrated into Mercer’s UK governance structure, risk management, and operations. It also includes information specific to our investment business. Further details of the Group’s business-responsibility philosophy and environmental achievements are available.



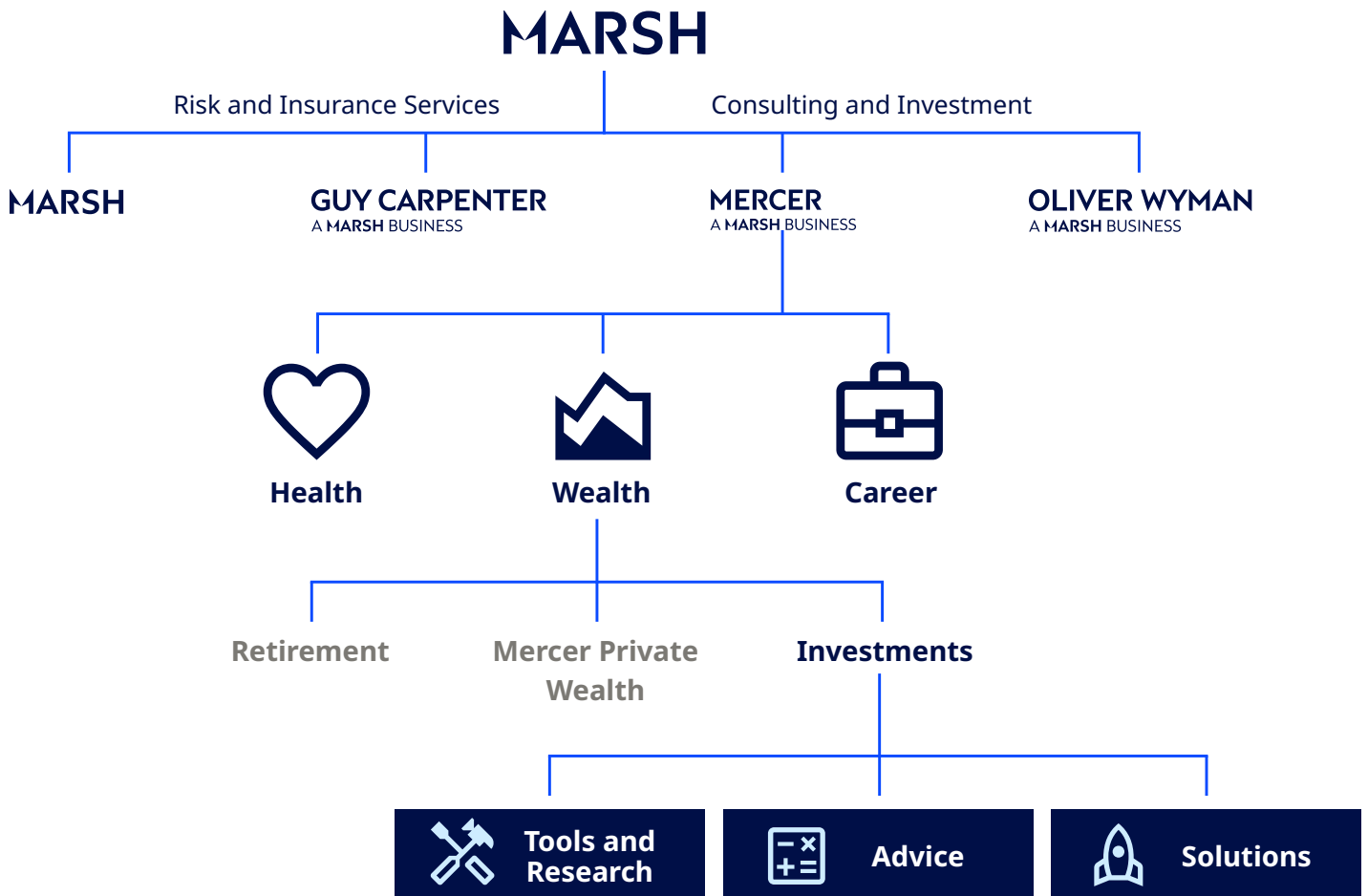
2 TCFD compliance summary

2.1 Alignment of disclosures to TCFD Framework

TCFD Pillars	TCFD Recommendations	Correlated section in this report
Governance Disclose the organisation's governance around climate-related issues and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	Our ESG Approach (page 4) Governance (page 8)
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Governance (page 9)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	Strategy section 4.1 (page 10)
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Strategy section 4.2 (page 12)
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy section 4.3 (page 16)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Risk Management section 5.2 (page 22)
	b. Describe the organisation's processes for managing climate-related risks.	Risk Management section 5.3-5.5 (page 23)
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Risk Management section 5.3-5.5 (page 23)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and Targets (page 43)
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions (GHG), and the related risks.	Metrics and Targets (page 43)
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Metrics and Targets (page 43)

2.2 Basis of this report and disclaimers

The diagram below illustrates how our Group is structured, and informs our ESG approach:



Only Mercer's investment services business is within the scope of the FCA's ESG Sourcebook – as certain management activities amount to 'TCFD in-scope business' (see section 6 of this report).

To date, our approach to sustainability has been developed on a group basis; in respect of (a) the Group as a whole as set out in section 1 of this report, and (b) Mercer's global investment advisory and discretionary teams (referred to as the "**Mercer Group**"), which influences the advice and portfolio management provided to clients in the UK.

Mercer provides services to a range of UK institutional investors, including portfolio management services. All decisions regarding discretionary management are taken by Mercer. The clients where discretionary portfolio management services are provided are generally invested by Mercer in what are known as the Mercer funds (the "**Mercer Funds**")¹. The Mercer Funds are not domiciled in the UK and are managed by the Mercer Group. Information in this report is provided on the Mercer Funds.

During 2025, we continued to refine our methodologies for identifying and isolating climate-related metrics and targets for the discretionary portfolios we manage. We also progressed work to enhance climate-related reporting for our clients. Where specified expressly in this report – the disclosures provide information beyond Mercer, to include certain management activities carried out within the wider Mercer Group.

In June 2024 Marsh announced an agreement to acquire Cardano, and the transaction completed in November 2024. Cardano provides fiduciary management, investment advisory, and liability-driven investing and derivatives solutions to institutional asset owners in the UK and Europe. Cardano became part of Marsh following completion of the transaction. Cardano will publish its own TCFD report for the calendar year ending 31 December 2025.

The reader should be aware that:

- This report and its disclosures are made within an evolving legal and financial regulatory practice, in circumstances where commonly accepted industry standards and industry best practice are still being established;
- The contents of this report have not been externally audited, and all material and data within it is subject to change without notice;
- Mercer is not responsible for the accuracy and/or validity of any third-party content mentioned or referenced in this report;
- The contents of this report do not constitute any investment, accounting, legal, regulatory or tax advice, or any invitation or recommendation to enter into any transaction; and
- In this report, Mercer has cross-referenced data and methodology adopted within the Mercer Group. Mercer has not had sight of all assumptions and methodologies used within the information provided by the Mercer Group.

¹ The majority of the assets under management for Mercer's discretionary portfolio clients are invested in the following Mercer Portfolio or Mercer Funds: the Mercer Unconstrained Growth Portfolio (which is comprised of around 10 different Mercer funds where the choice of underlying Mercer funds is at the discretion of Mercer), the Mercer Beta Focused Growth Portfolio (also comprised of many Mercer Funds at the discretion of Mercer), the Mercer Diversified Growth Fund, the Mercer Multi Asset Growth Fund, the Mercer Diversified Retirement Fund, the Mercer Multi Asset Solution Fund along with the Mercer LDI Funds and the Mercer Tailored Credit Funds.

3 Governance

3.1 The board’s oversight of climate-related risks and opportunities



Mercer’s Board of Directors (the “**Board**”) is responsible for agreeing Mercer’s strategic direction, including the approach to ESG risks and opportunities. The Board recognises the Group’s climate ambitions must be embedded in Mercer’s governance processes in the UK to be effective. It considers Mercer’s climate-related ambitions when reviewing strategy, risk management policies and risk appetite, as well as annual budgets and performance objectives.

The Board reviews Mercer’s strategy annually, which includes delivery of the Group’s business responsibility and carbon-risk management goals and initiatives in the UK.

Mercer’s CEO serves as the primary sponsor of Mercer’s climate ambitions.

Throughout the year, Mercer’s CEO provides the Board with regular updates on overall performance and delivery of strategic objectives, including progress against ESG-related goals.

The Board delegates oversight of Mercer’s risk management framework to the risk committee (the “**Risk Committee**”). The Risk Committee reviews Mercer’s management of climate risks and opportunities through high-level risk reports and, where required, deeper thematic review.

Mercer’s Chief Risk Officer attends Risk Committee meetings and provides written and verbal updates on Mercer’s overall risk profile, including climate-related risks. Material matters are escalated from the Risk Committee to the Board as appropriate.

3.2 Management's role in assessing and managing climate-related risks and opportunities

The Mercer UK Executive Leadership Team ("**UKELT**") supports Mercer's CEO in setting the overall strategy for Mercer, which includes the Group's climate and carbon strategy, and delivery of the Group's climate ambitions in the UK.

The Mercer Executive Risk Committee ("**ERC**") oversees how risk is identified, assessed and controlled across Mercer, including climate-related risks. The ERC also discusses emerging risks, such as climate-related exposures.

Management responsibilities for climate risk are embedded within relevant business areas. These roles and responsibilities align with Mercer's Enterprise Risk Management Framework and the Three Lines of Defence model (see section 5 of this report), which together provide oversight and challenge of Mercer's capability to manage climate-related risks.

Climate risk is overseen at the ERC through regular risk reporting, with material issues escalated to the Risk Committee as appropriate. Specific governance processes are in place to track progress against our ESG commitments and to identify and manage any ESG-related conflicts.

In March 2026, Marsh published the Group's annual Business Responsibility report (the "[2025 Report](#)"). The strategic objectives and climate ambitions set out in that report are integrated into Mercer's corporate strategy and governance structure. Section 5 of this report provides further detail on our governance processes for climate-related risks.



4 Strategy

4.1 Our climate-related risks and opportunities over the short, medium, and long-term

The following table summarises risks with a climate-related element and outlines associated opportunities. We are integrating these transition and physical risks and opportunities into our business operations and client services.

Recognising that the environment is dynamic, we have built flexibility into our approach so that medium and long-term risk assessments can be updated as conditions change, and short-term risks and opportunities can be escalated to medium or long term status where warranted.

Below is a summary of Mercer's risk taxonomy (the "Risk Taxonomy"), which maps climate-related risks and opportunities against other risk categories, and identifies the relevant time-horizons and residual exposure or materiality associated with each horizon.

Section 3 of this report provides further information on governance arrangements, including the roles of the Board and relevant committees in the management and oversight of climate-related risks and opportunities.

Level 1 Firmwide Risk category	Level 2 Individual risk	Transition vs Physical ²	Time horizon and impact
Strategic	ESG Risk	Transition, Physical	S M L X X X
Financial/ Market Risk	Geopolitical & Macroeconomic (including Market Downturn)	Transition, Physical	M L X X
Strategic Risk	Products & Client Proposition	Transition	S M L X X X
Operational Processes	Third Parties, Outsourcing & Other External Suppliers	Transition, Physical	M L X X
Group Risk	Internal Group Service Providers	Physical	S M L X X X
Regulatory Risk	Legal & Regulatory Requirements	Transition	S M X X
Clients	Client Experience & Service Delivery	Transition	S M L X X X

² Transition risks include extensive policy, legal or market changes. Physical risks include event driven (acute) or longer-term (chronic) shifts in climate patterns. Please see section 5 of this report for further information.

Time horizon: Short-term 1 – 3 years, **Medium-term** 3 – 10 years, **Long-term** 10 + years
Impact: X = High, **Y** = Medium, **Z** = Low

Climate-related risks

Climate-related opportunities

- | | |
|--|--|
| <ul style="list-style-type: none"> The risk that Mercer is impacted by an environmental or climate event which could negatively impact our brand, value and/or operations. This includes the potential impact of physical risk events, transition risks and the resultant impacts on clients. | <ul style="list-style-type: none"> Ability to assist our clients with navigating climate-related risks including potential impacts to their businesses due to policy, legal, and market developments. Increased demand to provide consulting and advisory services to clients on climate-related strategies and initiatives. |
| <ul style="list-style-type: none"> Changes in public opinion and government policy on ESG and climate risks may impact our clients' investment strategies. Adverse climate-related events may negatively impact asset values and discretionary assets under management (AUM), resulting in reduced client wealth and a drop in our revenue. | <ul style="list-style-type: none"> Opportunity to assist clients to review and adapt investment strategies that mitigate risks from macroeconomic downturns and geopolitical instability, while helping align portfolios with long-term climate objectives. |
| <ul style="list-style-type: none"> Risks stemming from the evolution of client and market demand for climate-related services, including failing to adapt quickly enough to these demands, could erode our competitive edge. Reputational and brand risks arising from the perception of insufficient action on climate issues or failure to fulfil commitments, could lead to a loss of client trust and market position. | <ul style="list-style-type: none"> Developing new products and services that meet evolving sustainability demands, reinforcing Mercer's market leadership and client value proposition. Leveraging advances in climate research and development – both within Mercer and across the market – to drive innovation and enhance our service offerings. Incorporating external stakeholder feedback to refine internal practices and improve delivery of climate-related services, strengthening Mercer's reputation and brand credibility. |
| <ul style="list-style-type: none"> Climate-related events, including extreme weather incidents and transition risks, may disrupt third parties we engage with and impact our supply chain, which could lead to operational interruptions for Mercer and our clients. | <ul style="list-style-type: none"> Strengthening our business-resiliency strategies to respond effectively to the increasing frequency and severity of extreme weather events. These measures will help protect Mercer's operations, enable continuity of services to affiliate companies and clients worldwide, and reduce operational disruption during climate-related incidents. Increasing collaboration with third-party suppliers to roll out climate-driven programs – for example, recycling initiatives and transitions to energy-efficient buildings – to promote sustainability across the supply chain. |
| <ul style="list-style-type: none"> Physical risks such as extreme weather events could impact our operations, including buildings, staff, and technology and therefore our ability to serve our clients. This also includes the potential to impact our internal service providers, including those outside of the UK, which may cause disruption to service and reduce operational efficiencies. | <ul style="list-style-type: none"> Creating and implementing enhanced service protocols to ensure operational continuity and client support during extreme weather events. |
| <ul style="list-style-type: none"> Failure to comply with regulations, including those related to climate disclosures or related ESG rules could lead to fines and reputational harm. | <ul style="list-style-type: none"> Opportunity to strengthen internal processes to meet evolving climate-related disclosure and reporting obligations. |
| <ul style="list-style-type: none"> Mercer advises UK clients on the potential impacts of climate change on asset classes and investment outcomes, using external data scenario modelling. Given the complexity of this area, our advice may be subject to challenge by clients or stakeholder groups, which could create reputational, commercial, and/or litigation risks. | <ul style="list-style-type: none"> Positioning Mercer as a trusted advisor on climate and sustainability, as demand for expert guidance grows, which could enhance our brand reputation and market presence. |

4.2 The impact of climate-related risks and opportunities on our business, strategy, and financial planning

Throughout 2025 we continued to assess the impact of climate-related issues on Mercer. The categories below are consistent with those we have previously identified and remain areas that we expect to expand on in future reporting.

(a) Policy and Legal

Ongoing climate-related policy and legal developments affect both Mercer as an entity and the advice and services we provide to clients. Key developments include:

- UK ESG Ratings Order 2025 – will bring ESG ratings providers under FCA supervision; full regulation is expected to take effect from 29 June 2028.
- FCA anti-greenwashing rule – in force from 31 May 2024; requires communications about products and services that refer to sustainability to be fair, clear and not misleading.
- ISSB – development of a global baseline for sustainability-related financial disclosures.
- UK Sustainability Reporting Standards (UK SRS) – development of UK sustainability reporting standards, that will endorse a UK version of the ISSB standards. At the time of this report, the UK Government continues to consider whether to require private companies to report against the new UK Standards as part of its consultation on the modernisation of corporate reporting in the UK - they are aiming to publish a Policy Statement in Q4 2026 - the effective date is unclear.
- Taskforce for Nature-related Financial Disclosures (TNFD) – framework for identifying, assessing, managing and disclosing nature-related risks and opportunities.
- FCA regulatory priorities (19 March 2026) – include further implementation of the Sustainability Disclosure Requirements (SDR) and product labelling. On 5th June, the FCA published a consultation aimed at streamlining the product-level TCFD reporting for asset managers and FCA-regulated asset owners.

Broadly, climate-related legal and regulatory developments with global application are considered

at Group level, with implications cascaded to Mercer where relevant. The review of ongoing legal and compliance matters and disclosure requirements informs both our entity-level strategy and the evolution of our advisory and solution offerings to clients.

(b) Our Investment Services

On request, Mercer advises institutional investors on identifying and managing climate risks and opportunities. We support clients subject to regulatory requirements – such as preparing TCFD disclosures and transition plans (see section 6 of this report). Where Mercer manages discretionary portfolios, climate considerations are integrated into investment decisions and portfolio oversight.

(c) Market Risk

Mercer recognises market risks that could negatively impact the value of our business, our clients' businesses and the assets we manage. For our clients, we consider the implications for strategic asset allocation and expected investment returns. Our analysis assumes that markets are currently underestimating risks from both the transition to a low-carbon economy and the physical impacts of climate change across various scenarios over the medium to long-term. Contributing factors include an evolving regulatory landscape, inadequate carbon pricing, and increasing physical damages.

This underestimation is also likely driven by time-horizon misalignment, with many market actors focused on short, sometimes daily, pricing indicators, while ultimate asset owners have longer return objectives. Rapid, disruptive technological change is difficult to time accurately, which increases the risk that some market actors will be caught off-guard.

Mercer considers a disorderly (sudden) transition and heightened market volatility to be a credible risk, with potential for stranded assets, as policy, technology, and market dynamics evolve. We treat market risk as a medium to long-term priority that requires continuous monitoring and forward planning. We support clients with climate scenario analysis, stress testing, and portfolio construction to help build portfolios that are expected to be robust under a variety of possible market and transition scenarios.

(d) Our Supply Chain

Emissions from purchased goods and services represented over 50% of the Group's emissions in 2025. We receive supply-chain questions via the CDP Supply Chain Program and client enquiries.

The Group is addressing these emissions by improving data quality, increasing supplier engagement and promoting environmentally-preferred purchasing:

Data quality: The Group is transitioning from spend-based to activity-based emissions accounting, to better identify hotspots and engagement priorities.

Supplier engagement: Our supplier management platform collects supplier information on business responsibility, risk monitoring, and regulatory compliance.

Environmentally preferred purchasing: The Group has sustainability objectives for its top spend categories, and provides procurement guidance to colleagues on energy-efficiency, recycled content and certification standards.

For example:

- Our major cloud providers have set targets for 100% renewable electricity.
- 100% of our electronics purchased in 2025 were EPEAT certified, conserving more than 4 million gallons of water and avoiding over 11,000 metric tons of CO₂e.

We will continue to assess how we engage with our supply chain on climate-related issues and track progress.

From a value chain perspective, our clients' businesses may be adversely affected by climate-related regulatory and/or physical changes, as well as shifts in consumer preferences. These potential impacts create opportunities for us regarding the development of tools and advisory services. The race to net zero has highlighted the need for the creation of sound solutions and services that help our clients understand and navigate the transition to a resilient, low-carbon economy.

(e) Research & Development

Each line of business has its own areas of focus and expertise relating to climate change. Most of the opportunities are consistent with our current business development strategies, practices and client support services, and hence have planned and budgeted R&D expenditure. However, increasingly there are areas outside expectation or that offer a more significant impact than anticipated, which require additional, targeted investment.

The Group allocates funding for required R&D, and plans to continue supporting necessary additional expenditure to develop high-impact solutions.

(f) Real Estate

In 2025, our UK and Ireland offices achieved ISO 45001 and ISO 14001 certifications – two globally recognized standards that reflect a deep commitment to health, safety, and environmental sustainability. This important milestone for the business, led by the Real Estate Team, resulted from thoughtful planning, cross-functional collaboration, and sustained effort to embed best practices throughout our operations.

We also align with the Energy Saving Opportunity Scheme (the “**ESOS**”) standard, a UK government initiative requiring organisations to assess energy use and identify energy-saving opportunities. In March 2025, we submitted our comprehensive ESOS Action Plan, outlining our energy saving commitments and specific projects across our office portfolio, demonstrating our proactive approach to energy efficiency.

The Green Champions Network continues to serve as a community for colleagues passionate about driving sustainability across our offices. From organising clean-up initiatives that improve local public spaces to coordinating clothing donation drives that promote circular economy principles, the Green Champions foster environmental best practices both within and beyond our office walls.

Energy reduction initiatives

In the UK and Ireland, the Group buys 100% green electricity for our largest sites. At the remaining locations, the aim is to influence the managing agents' decision on the supply of green energy.

(g) Operational

As part of our waste management focus, we prioritise responsible end-of-life solutions for office equipment and furniture. Where possible, we seek to repurpose furniture and equipment. We minimise the amount sent to landfill by donating or recycling what cannot be repurposed.

In 2025, the Group recycled 358,000 pounds of electronic waste (including 3,000 pounds of hazardous waste), and achieved 100% diversion from landfill in UK-managed offices.

The Global Technology Group continues to focus on reducing our energy use and greenhouse gas (GHG) emissions³ through renewable energy, energy efficiency, fleet rationalization and electrification, IT asset recycling and supplier engagement.

The Global Technology Group is under the leadership of the Chief Information Officer, a role that oversees business resiliency and security. The Business Resiliency Management team (the "**BRM Team**") maintains business continuity guidance and crisis response plans, including business impact analyses, disaster recovery; periodic third-party dependency assessments, and recovery capability testing. Our critical business and corporate functions maintain BRM plans with specific provisions for colleague mobilisation, alternate workspaces, and communication with clients and critical third parties. These plans are created based on business impact analysis which identifies business recovery requirements and priorities; and includes: (a) office facilities and personnel; (b) critical applications; (c) mission-critical functions & processes; and (d) key third-party providers.

³ See section 7.1 on metrics and targets in respect of Mercer's report on energy consumption and GHG in its annual report and accounts.



(h) Reputational

We remain conscious of reputational risks impacting our clients and the third parties we work with.

Enabling sustainable futures for our stakeholders is at the heart of our work, as highlighted by our philosophy to partner with clients who make a difference in peoples' lives. This is guided by the Group's Client Engagement Principles which provide a framework to assess proposed engagements, including climate-related risks. These Principles are regularly reviewed and reinforced through communication and training.

We continue to work to align with the International Sustainability Standards Board (the "**ISSB**") recommendations, other emerging standards and regulations, and our own ESG assessments and priorities.

(i) Products and Services

We continue to expand and enhance our climate-related products and services through a 'one-enterprise' approach, drawing on expertise across the Group to support clients' resilience and transition strategies.

The Group helps clients embed climate change strategies into business planning; from transition pathways to managing the physical risks.

The Mercer Group's Analytics for Climate Transition Framework ("**ACT Framework**") exemplifies our work in this area for our investor clients and is described in more detail below.



4.3 Our consideration of different climate-related scenarios

For our business

Marsh is committed to a low-carbon transition across our global operations, targeting net zero for our core operations by 2050 and a 50% reduction in emissions by 2030. In line with these commitments, the Group met its 2030 Scope 1 and 2 reduction target by the end of 2024. Marsh has submitted its targets to the Science Based Targets initiative (the “SBTi”) for validation. As of December 31, 2025, the Group has reduced Scope 1 and 2 emissions by 74.4% compared with the 2019 baseline.

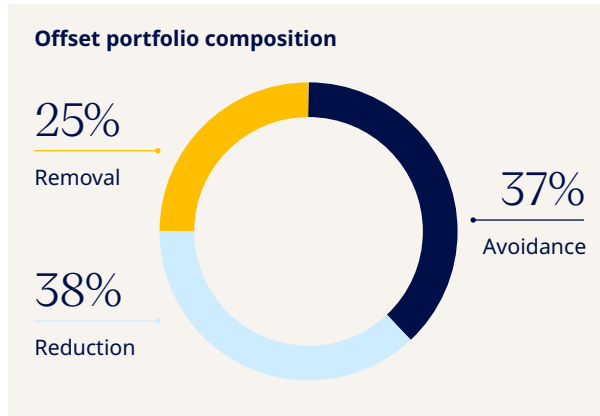
Further information on our commitment to net zero is available in the [2025 Report](#).

In 2025 the Group was certified as CarbonNeutral® for the fifth year in a row. This certification follows The CarbonNeutral® Protocol – the leading global standard for carbon-neutral programmes. To achieve this certification, we calculated and offset emissions associated with our operations, covering Scope 1, Scope 2 and select Scope 3 sources, including business travel.

Engaging in the Voluntary Carbon Market

As we work toward our Science Based Targets, the Group’s primary focus is on reducing emissions and then neutralizing what cannot be reduced. We invest in emissions-avoidance and carbon-removal pathways outside our value chain and believe high-quality offsets will continue to play a role in our climate strategies. When selecting offset projects, we consider several key factors, including project quality, location, additionality (whether the project represents new emissions reductions), and alignment with the UN Sustainable Development Goals.

The following chart summarizes our offset portfolio by credit type.



Climate Risk

In 2024, Marsh conducted a quantitative scenario analysis which considered the physical and transition risks and opportunities across the Group arising from climate change. The physical scenario analysis considered various emissions scenarios across an 80 year time horizon (2020-2100) to determine the severity of physical climate damage, considering both low emissions (RCP2.6) and high emissions (RCP8.5) scenarios.

As part of the assessment, climate-related impacts were considered. The analysis included the potential financial losses associated with asset damage but excluded losses associated with business interruption or productivity loss.

The physical climate risk analysis identified and geolocated all office locations and data centres of the Group to facilitate the assessment of climate-related risks and hazards to their specific location. The replacement value of all office locations and accompanying assets (including data centres, buildings, contents and technology) was estimated to allow quantification of the physical climate risk-driven expected financial loss for each location.

The transition risk analysis was designed to understand the risks and opportunities from societal changes undertaken to mitigate climate change. Five decarbonization pathways were analyzed, ranging from the ‘no policy SSP-85 pathway’, which would see

an average of greater than 4°C of warming, to the 'Paris-aligned SSP1-19 pathway', where warming was kept to 1.5°C. The shared socioeconomic pathways go beyond the physical drivers of climate change and focus on the societal changes that are projected to limit increases in global average temperature. Pathways where the average warming was 2°C, 2.5°C, and 3°C above pre-industrial temperatures were also analysed. The time-horizon used for these pathways was 10 years from 2024-2035. This approach aligns to industry best practice.

Through the assessment, Marsh did not identify any climate-related risks that would significantly impact the Group's operations. The Group's agile and distributed model should allow us to continue to serve our clients when faced with interruptions. The Group's supply chain largely consists of other professional services firms with limited risks, and, as a relatively low-emitter, we are unlikely to be directly subject to policies such as carbon pricing.

For our clients

Since 2011, the Mercer Group has published papers on developing and using climate scenario analysis and we work regularly with external organisations to develop new thinking on the implications of climate change on strategic asset allocation.

Mercer's approach to climate scenario analysis

Our approach to climate scenario analysis was updated in 2022 following a partnership with Ortec Finance (and their partner, Cambridge Econometrics), to develop climate scenarios that are grounded in the latest climate and economic research and to provide practical insights. Mercer published a paper in December 2023 outlining our approach to climate scenario analysis (available [here](#)). Chronic physical risk is modelled by incorporating a non-linear

damage function, which better reflects the increasing damage of a given temperature increase as the planet heats up. Alternative linear functions are more likely to underestimate the effect of tipping points and the limits to adaptation.

Since publishing this paper, Mercer has made further improvements to its climate scenario framework. Annual updates to the analysis include the latest available data across global emissions, temperatures, low-carbon technology uptake and climate-related policies. Assumptions regarding market-pricing of climate-related risks and opportunities are also regularly reviewed.

The climate scenarios are reviewed annually to ensure they are consistent with real-world progress.

- In 2024 Mercer's climate scenario analysis framework was updated to include a **fourth, "limited transition" scenario** which illustrates the impacts of a transition where policymakers implement limited Nationally Determined Contributions and fall short of meeting the Paris Agreement goals. The attempted transition translates to a slight downward re-pricing of securities in the late 2020s. Physical risks are increased relative to the Rapid Transition and are priced in to a degree in the late 2020s and late 2030s. The Failed Transition scenario was also updated to include the impact of multiple climate-related tipping points, increasing the projected level of damage under the scenario, all else equal.

- In 2025, the **Rapid Transition scenario** reaches net zero in the mid-2050s with temperatures reaching 1.6°C by the end of the century (relative to pre-industrial levels). Ortec Finance's analysis – which reflects current technology, resource availability, and plausible deployment speeds – finds that, on current trajectories and assumptions, achieving net zero by 2050 and limiting global warming to within 1.5°C appears infeasible.
- Other updates in 2025 included replacing the Orderly Transition scenario with a **Delayed Transition scenario**, which explores disruption from a delayed transition with a step-up in policy action from 2030.

Systems approach to net zero

The Mercer Group recognises that climate change is a systemic risk, and that limiting global average temperatures to well below 2°C⁴ is likely aligned to the best financial outcomes for long-term diversified investors.

Mercer Group's systems-thinking approach to investing for a net zero future brings together physical risk assessment, climate adaptation and resilience, natural capital, circular economy thinking, and fair carbon budgets. We regard this integrated perspective as critical to mobilising capital that supports a low-carbon, resilient global economy.

This approach was first set out in our 2023 paper, [Transition Today – Portfolio Definitions and Actions](#), which won the 2024 Environmental Finance Thought Leadership Paper on Sustainable Investing. We continued the series with [Transition Today: A Progress Update \(November 2024\)](#), which explores the paradox of portfolio-level carbon reductions amid rising global emissions, and [Transition Today: Adaptation and Resilience \(November 2025\)](#), which expands the conversation to place adaptation and resilience on equal footing with mitigation.

That integrated perspective matters because physical climate risks are no longer distant projections – they are present, measurable, and financially material.

Supporting investor clients with the climate transition

For investors, climate risk management could include both transition and physical risks. This is not a choice between mitigation and adaptation – both are necessary to manage risk and help protect long-term value.

Mercer works with institutional investors to support climate objective setting and strategy development in pursuit of a transition pathway. Through this collaboration, investors can align with the current standards in climate integration to seek to mitigate climate risk and aim to maximise climate opportunities.

Investors assess current positioning and their net zero pathway through analysis via Investors assess current positioning and their net zero pathway through analysis via Mercer Group's ACT Framework.

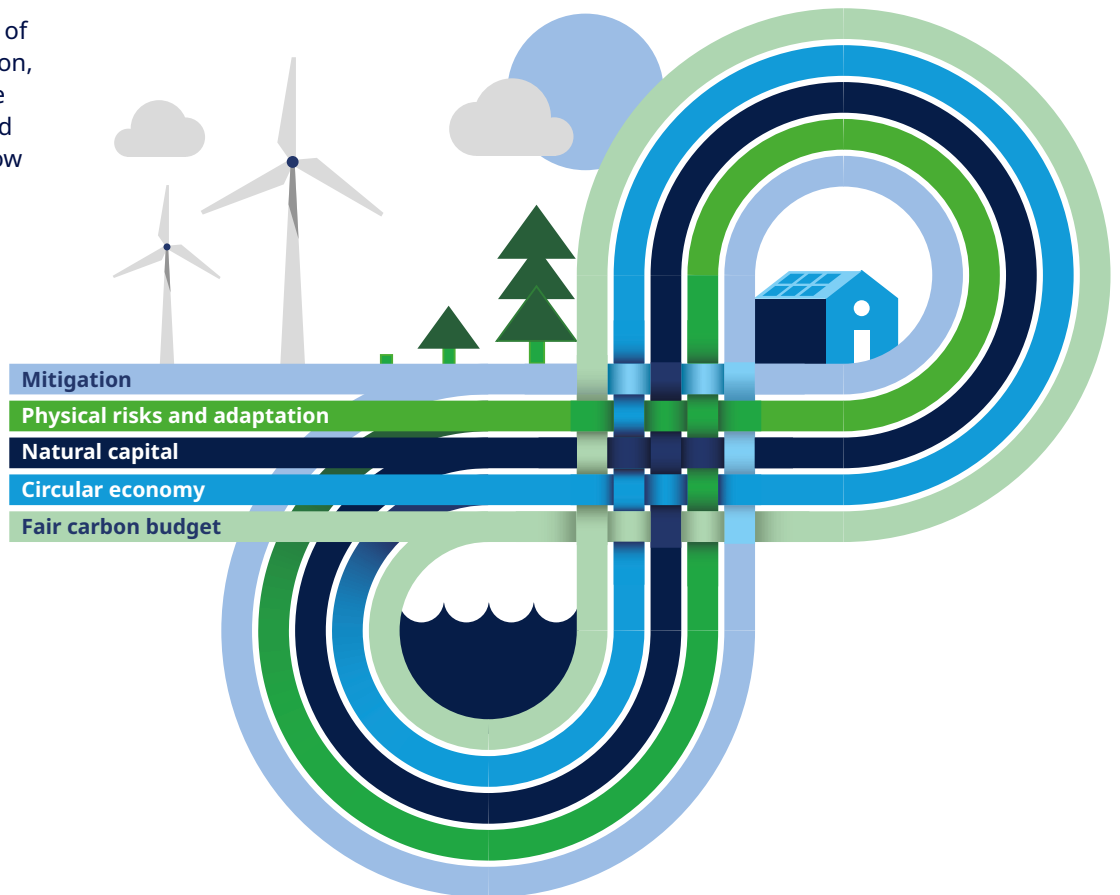
⁴ In line with the 2015 Paris Agreement.

Mercer applies the following approaches to advice on investing to support the climate transition:

- **Integrating for Resilience** – Are sustainability, transition and socio-economic risks considered and integrated through the investment strategy?
- **Capital Allocation** – Should sustainability, transition and/or impact-themed solutions be part of the investment strategy?
- **Stewardship** – Are investment managers fulfilling their role as active owners through voting and engagement?
- **Screening** – What are stakeholder views, and how should they be incorporated into the investment strategy?

This infographic represents an expanded view of climate transition, made up of five key, interrelated issues, that allow for a better assessment of transition.

An expanded model of transition



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

Mercer Group Net Zero Target

In 2021, the Mercer Group announced its aim to achieve net zero portfolio absolute emissions by 2050 for the majority of: its UK, European and Asian discretionary portfolios and its multi-client, multi-asset Mercer Funds domiciled in Ireland (the “**Net Zero Target**”). The Mercer Group also established an expectation that portfolio carbon intensity would reduce by 45% by 2030, from 2019 baseline levels⁵. Mercer has adopted the same targets for the Unconstrained Growth Portfolio and Beta Focused Growth Portfolio used for the majority of our discretionary UK clients.

To consider the impact of climate scenarios on our UK portfolio management clients, we carried out climate change scenario analysis on the strategic asset allocation of the Unconstrained Growth Portfolio⁶. The latest climate change scenario analysis was based

on the strategic asset allocation of the reviewed portfolios as of 30 June 2024, and used asset class return assumptions and climate scenarios in use at that time. Further information on the modelling and assumptions can be found in [Appendix A](#) of the 2025 TCFD report for the Mercer Funds. The next climate scenarios are planned for 2026.

Between updates in climate scenario analysis, there are regular “climate health checks” on the portfolios using Mercer Group's proprietary ACT Framework tool. The tool is used both for decarbonisation progress and reporting, as well as assessing the impact of material asset allocation changes on the transition capacity profile of the portfolio.

From May 2025, Mercer focuses on the following four core scenarios:

1.6°C Rapid Transition

Average temperature increase of 1.6°C by 2100 in line with the Paris Agreement. This scenario assumes a highly ambitious low-carbon policy and rapid technology transition. Sudden divestments in 2026 to align with the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.

1.9°C Delayed Transition

Average temperature increase of 1.9°C by 2100. This scenario assumes limited additional action until 2030, at which point a highly ambitious set of low-carbon policies is introduced. Financial markets price in transition and physical risk in 2030 to align with the ambitious policy change, associated with stranded assets and a sentiment shock.

2.9°C Limited Transition

Average temperature increase of 2.9°C by 2100. This scenario assumes emissions targets and commitments are not fully met. Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.

3.7°C Failed Transition

Average temperature increase of 3.7°C by 2100. This scenario assumes no new climate policies are enacted, but transition progresses on economic grounds. Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.

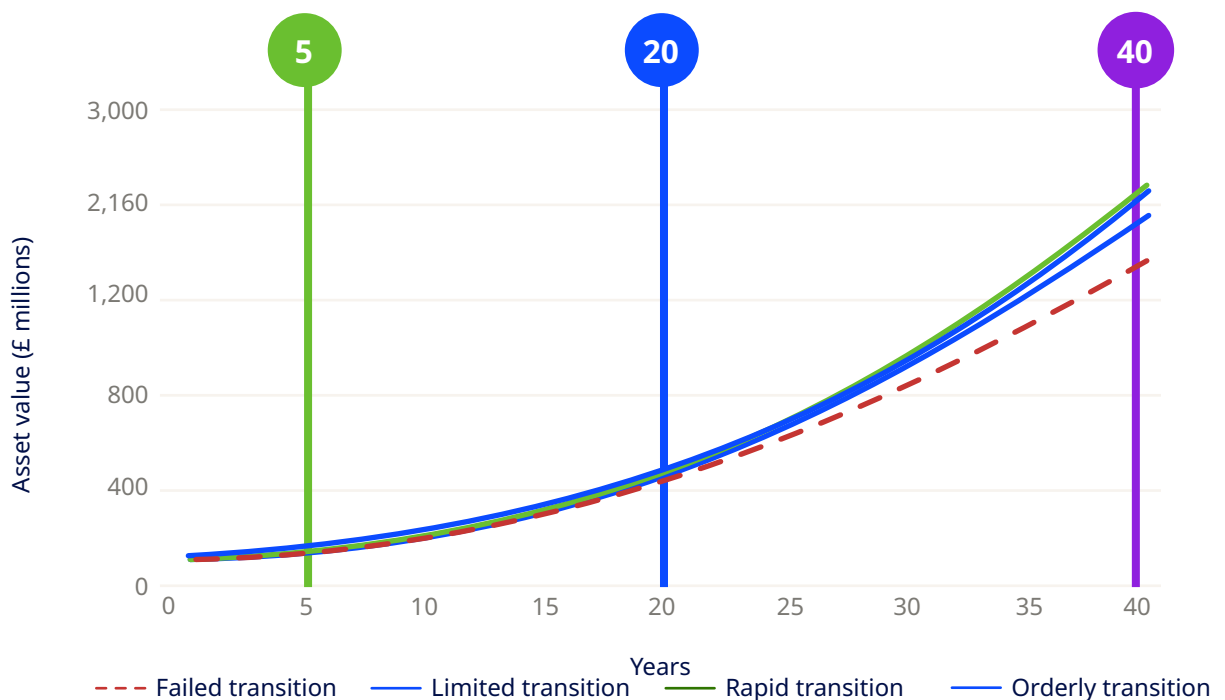
These scenarios are a weighted combination of the four climate scenarios. The weighting is Mercer's view on what scenarios markets were anticipating and pricing-in at the time of the analysis.

⁵ Per dollar of assets under management.

⁶ The Mercer Unconstrained Growth Portfolio is used as the basis of the growth engine for the majority of our UK discretionary clients' assets under management. It is comprised of around 10 different underlying Mercer funds. The choice of underlying Mercer funds is at the discretion of Mercer.

The selected scenario modelling illustrates potential impacts over a 40-year period. It includes the ability to review shorter periods, including 5 and 20 years.

The following chart illustrates the Unconstrained Growth Portfolio's 5-, 20- and 40-year projections as at 30 June 2024, using the climate scenarios applicable at the modelling date. Further details on this modelling can be found [here](#).



Our analysis has led to the following high-level conclusions:

- **A Successful Transition is an Imperative:** Over the long term for nearly all investors, a successful transition leads to enhanced projected returns when compared with scenarios associated with higher temperature outcomes due to lower physical damages.
- **Sustainable Allocations Protect against Transition Risk, Growth Assets are highly vulnerable to Physical Risk:** Asset class returns vary significantly by scenario depending on their respective exposure to transition and physical risks.
- **Sector Exposure is Key:** Differences in return impact are most visible at an industry-sector level, with significant divergence between scenarios. Oil and Gas, Fossil Fuel-Based Utilities and Renewables are most impacted by the transition.

- **Investors should be Aware of Future Pricing Shocks:** As markets react to new information as a result of changing physical and policy / transition risks, investors will be vulnerable to rapid repricing shocks. Exploring the potential impact that repricing events can have on investment strategy and positioning portfolios ahead of time is critical.

Scenario analysis remains an important reminder that isolating a preferred scenario does not mean it will eventuate. There are complex system changes at play, which limit the accuracy of modelling. We also appreciate that while investors have an influential role to play, they do not have direct control over government policies or all investee company decisions.

5 Risk management

5.1 Introduction

This section describes the processes Mercer uses to identify, assess, and manage climate-related risks, and explains how these processes are embedded within Mercer's enterprise risk management framework ("**ERM Framework**"). The ERM Framework promotes strong risk management across our businesses and functions by raising awareness of key risks, ensuring appropriate controls, integrating risk discussion into decision-making, and aligning senior management and Board oversight.

Mercer draws on insights from the wider Group to inform its approach to climate-related risks. [The Group's 2025 Report](#) provides a brief overview of enterprise risk management and how risks are integrated across the organisation (see page 14).

This section 5 sets out the processes Mercer has in place to identify, assess, and manage its climate-related risks, and how these processes are integrated into Mercer's overall risk management framework.

Mercer regularly reviews its risk profile through internal assessment processes and benchmarking against internal and external sources, and we update the Risk Taxonomy accordingly. "ESG" is recorded as a standalone risk in the taxonomy (see section 5.3.2 below). Emerging risks – including climate-related events – are considered through the Emerging Risks process and discussed at Risk Committees. We will continue to develop and refine our risk management practices as needed.

5.2 Management of climate-related risks

Mercer's Risk and Control Self-Assessment ("**RCSA**") and Emerging Risks processes (see section 5.3 below) contribute to the identification, assessment and management of risks, including climate-related risks. Our high-level approach to climate-related risk management includes:

- Mercer's Risk Team performs research on climate-related risks.
- Workshops are held with "**Risk Owners**" (senior leaders accountable for specific risks), and subject matter experts from across Mercer.

We treat climate change as a systemic risk driven by two key sources:

- **Transition Risks:** Risks related to the shift to a lower-carbon economy (for example, policy and regulatory changes and shifts in consumer preferences).
- **Physical Risks:** Risks related to the physical impacts of climate change (for example, extreme weather events).

Both risk types present risks and opportunities to Mercer and our clients - and we consider both in our identification and assessment activities. The identified risks are assessed based on their likelihood of occurrence and impact, taking into account financial and qualitative impact factors, in line with our overall risk management approach.

Section 5.3 provides further detail on how climate-related risk management is integrated into Mercer's ERM Framework.

5.3 Integration into Mercer’s overall risk management

5.3.1 Risk identification, assessment and management processes

Mercer’s ERM Framework includes formal processes to identify, assess, manage, report on, and monitor risks. A key process in this life-cycle includes the RCSA as follows.

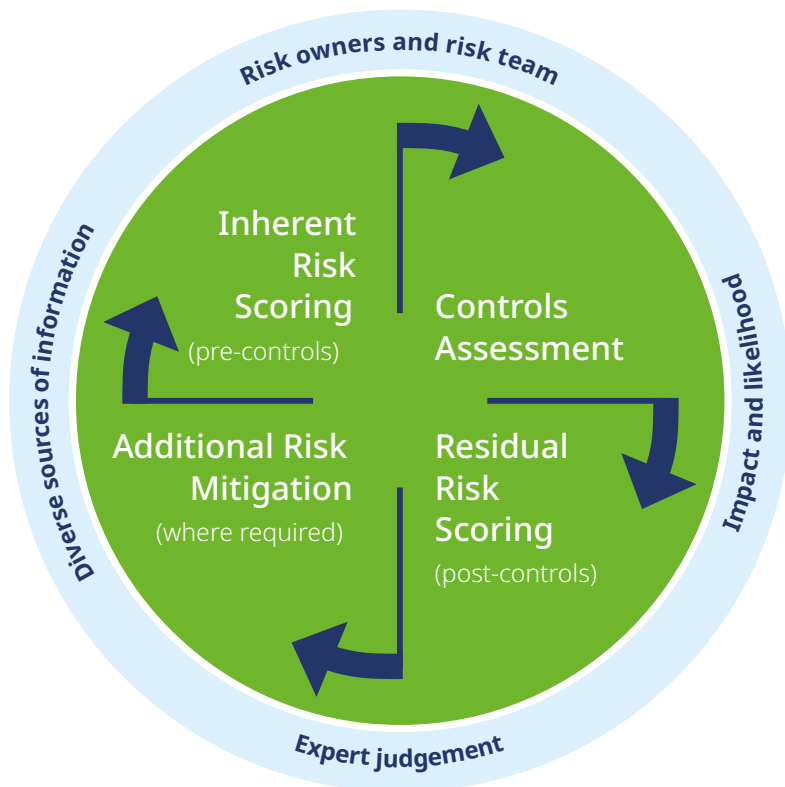
The Risk and Control Self-Assessment (RCSA) process

As above, as part of the RCSA process, Mercer identifies, assesses and manages risks, including climate-related risks.

The RCSA process covers, among other areas:

- **Inherent Risk scoring (pre-controls):** considering the likelihood of risks occurring and the impact, assuming no controls are implemented.
- **Controls assessment:** assessing the effectiveness of current controls to mitigate the risks.
- **Residual Risk scoring (post-controls):** evaluating the likelihood of risks occurring and their impact, given the current controls to mitigate each risk.
- **Target Risk scoring:** considering the residual risk score against the target risk, in line with the Company Risk Appetite.

The following diagram summarises the RCSA process:



How new risks are identified

Various processes and sources of insight inform the identification of new risks. Examples of sources include:

- Errors & Omissions/incidents.
- Review of Emerging Risks (including external publications and insights).
- Reverse stress testing.
- Top-down and bottom-up views from the second line Risk team (described below at section 5.3.3), Risk Committees, Risk Owners and other subject matter experts and functions, such as findings from Internal Audit and Compliance Monitoring.
- **Expert judgement** – Risk Owners draw on their expertise to predict possible risk drivers, risk consequences and financial impacts to Mercer, the market and clients.
- **Key Risk Indicators (“KRIs”)** – KRI metrics are monitored and used to predict expected risk exposure.
- The processes for assessing the potential size and scope of identified climate risks, and their relative significance, will evolve and vary subject to the specific climate-related risk in question. Climate scenario analysis is also used to assess the size and scope of climate risks for our discretionary asset portfolios (see section 4 of this report).

How risks are assessed

The following high-level processes are in place for assessing the potential size, impact and scope of identified climate risks:

- **Impact and Likelihood assessment** – To help determine the relative significance of risks, a scoring matrix is used. This covers both quantitative criteria and qualitative factors to consider the impact and likelihood of the risks occurring.

The qualitative factors include relevant existing and emerging regulatory requirements. Regulatory horizon scanning further aids this assessment by providing a view of any emerging regulatory requirements relevant to climate change. Other qualitative factors that are considered include operational impact (for example, the extent of an outage and associated impact on clients), and any reputational impact. The scoring matrix we use is in line with standard industry practice.

- **Identification of appropriate Risk Owners** – Risk Owners provide a forward-looking view of the risks they own.

Emerging Risks Process

Mercer has a formalised process for identifying and assessing Emerging Risks, which includes stakeholder workshops to review the key emerging risks to Mercer. This is to help identify potential threats (or opportunities) that may not yet be fully understood but may have a significant impact. Key climate-related emerging risks identified as part of the 2025 Workshop and reviewed by the Executive Risk Committee include:

- Climate tipping points / Mass migration / Market instability
 - More extreme climate ‘tipping’ points e.g. slowdown of the gulf stream, will impact asset values.
- Retrospective challenges to decarbonisation investment advice.
 - The firm's investment advice may be called into question in the future, where it is viewed not to have led to sufficient decarbonisation. This risk is exacerbated by evolving public and investor attitudes and the differing regulatory and climate priorities between the US and Europe.

Climate-Related Scenario Analysis

- As part of the annual Internal Capital Adequacy and Risk Assessment (“**ICARA**”), we work with key stakeholders to prepare scenarios, based on potential events that would impact Mercer, its clients or the market negatively. In 2025, a new scenario was presented with climate-related financial impacts. This scenario considered a 7-day period of disruption in Mumbai, India resulting from a climate-related heatwave. The scenario predicts that approximately 100 staff are impacted, necessitating that key activities are relocated to the UK. This increases workload and pressure on UK teams, leading to potential delays, service impacts, and higher complaint levels. The scenario considers that 50% of activities are moved back onshore, with associated costs such as overtime and compensation, and highlights potential operational, reputational, and financial impacts.

How risks are managed

Risk Owners are responsible for identifying and monitoring risk mitigation plans, including climate-related risks. Should a risk breach our risk appetite, based on Board-approved risk appetite statements, a decision is made to either accept or mitigate the risk, using a four ‘T’s model:

- Treat the risk:** by taking action to control the risk and limit its impact to acceptable levels, i.e., implementation of new controls.
- Transfer the risk:** by passing the risk onto another organisation/entity, such as through an insurance policy.
- Terminate the risk:** by altering processes and/or ceasing the activity that brings rise to the risk (if feasible).
- Tolerate the risk:** if nothing can be done (at a reasonable cost) to mitigate the risk, the risk may be tolerated. This may require re-alignment of the risk appetite and calls for governance approval.

Top risks are reported to and discussed with our Risk Committees. The Risk Committees further escalate these risks to the Board as required.



5.3.2 Representation on the Risk Taxonomy

Climate-related risks are represented on our Risk Taxonomy in one of two ways:

- **Vertically:** as distinct risks.
- **Horizontally:** within one of the other risks, where climate-related risks are integrated into existing risks, such as third party risk and regulatory risk.

The following table summarises Mercer's Risk Taxonomy, highlighting some risks that have a climate-related component. Climate-related risks are integrated into a number of individual risks across categories. In 2023, Mercer introduced a standalone ESG Level 2 risk within the Risk Taxonomy, which includes climate-related risk within the 'E' consideration under the wider ESG umbrella.



Climate-related risks as represented in our Risk Taxonomy

Level 1 Risk Category	Level 2 Individual risk	Transition vs Physical	Climate related risks
Strategic	ESG Risk	Transition, Physical	<ul style="list-style-type: none"> The risk that Mercer is impacted by an environmental or climate event which could negatively impact our brand, value and/or operations. This includes the potential impact of physical climate risk events, transition risks and the resultant impacts on clients.
Financial/ Market Risk	Geopolitical & Macroeconomic (incl. Market Downturn)	Transition, Physical	<ul style="list-style-type: none"> Changes in public opinion and government policy on ESG and climate risks may impact our clients' investment strategies. Adverse climate-related events may negatively impact asset values and discretionary assets under management (AUM), resulting in reduced client wealth and a drop in our revenue.
Strategic Risk	Products & Client Proposition	Transition	<ul style="list-style-type: none"> Risks stemming from the evolution of client and market demand for climate-related services, including failing to adapt quickly enough to these demands, could erode our competitive edge. Reputational and brand risks arising from the perception of insufficient action on climate issues or failure to fulfil commitments, could lead to a loss of client trust and market position.
Operational Processes	Third Parties, Outsourcing & Other External Suppliers	Transition, Physical	<ul style="list-style-type: none"> Climate-related events, including extreme weather incidents and transition risks, may disrupt third parties we engage with and impact our supply chain, which could lead to operational interruptions for Mercer and our clients.
Group Risk	Internal Group Service Providers	Physical	<ul style="list-style-type: none"> Physical risks such as extreme weather events could impact our operations, buildings, staff, and technology, and therefore our ability to serve our clients. This also includes the potential to impact our internal service providers, including those outside of the UK, which may cause disruption to service and reduce operational efficiencies, and therefore our ability to serve our clients.
Regulatory Risk	Legal & Regulatory Requirements	Transition	<ul style="list-style-type: none"> Failure to comply with regulations, including those related to climate disclosures or related ESG rules could lead to fines and reputational harm.
Clients	Client Experience & Service Delivery	Transition	<ul style="list-style-type: none"> Mercer advises UK clients on the potential impacts of climate change on asset classes and investment outcomes, using external data scenario modelling. Given the complexity of this area, our advice may be subject to challenge by clients or stakeholder groups, which could create reputational, commercial, and/or litigation risks.

5.3.3 The three lines of defence and risk management

The three lines of defence model (the “**Three Lines of Defence**”) is an industry-recognised model that clarifies roles and responsibilities for managing risk across the organisation and helps prevent gaps or duplications in risk management and assurance activities.

First line: Business units and functions own and manage their risks, including climate-related risks.

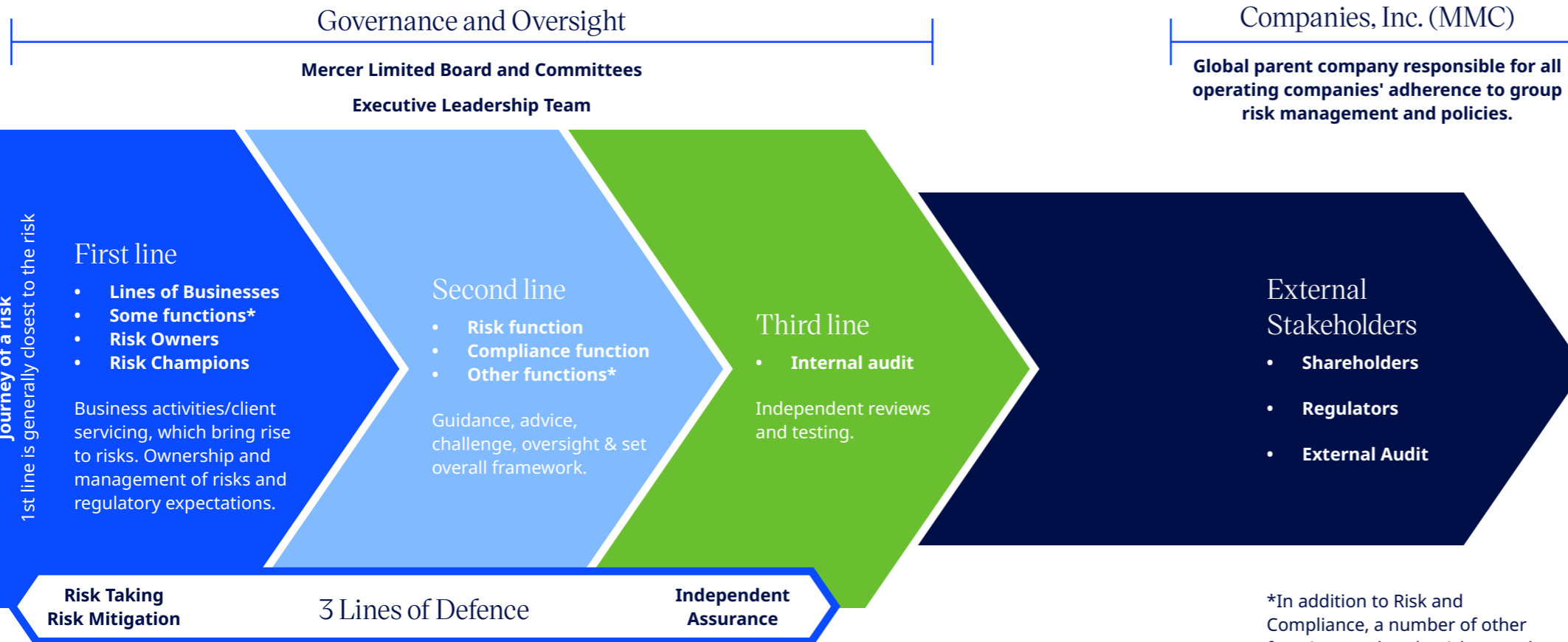
Second line: The Risk Team establishes the risk framework, provides guidance, advice, and offers independent challenge.

Third line: Internal Audit provides independent assurance through reviews of controls and processes.

Mercer’s governance bodies provide overall leadership and oversight of the ERM framework, ensuring key risks are identified and managed within approved risk appetites. External stakeholders – who sit outside of the Three Lines of Defence – provide additional oversight and influence Mercer’s appetite for risk.

The following diagram summarises Mercer’s Three Lines of Defence model.

Outline of Mercer’s Three Lines of Defence model



*In addition to Risk and Compliance, a number of other functions undertake risk control activities. These include Legal, HR, Privacy and Technology teams.



5.4 Engagement with stakeholders

We engage a broad set of stakeholders to advance climate risk management and to identify climate-related opportunities. Through the wider Group, we help capital providers and corporations understand and quantify climate risks. Our engagement includes:

- Advising investors and corporates on low-carbon, climate-resilience investment strategies and transition planning.
- Helping clients quantify and manage physical climate exposures and integrate climate scenarios into strategic and financial planning.
- Supporting clients to prepare, engage, and empower workforces to achieve the profound transformations required.
- Working with businesses and financial institutions to set and execute low-carbon transition strategies that collectively chart a path to net zero.

Further examples of our client work and industry engagement are set out in the [2025 Report](#) at page 10.

5.5 Asset management activities

As set out in section 2 above, Mercer provides services to a range of UK institutional investors, including portfolio management services. All decisions regarding discretionary management are taken by Mercer. The clients where discretionary portfolio management services are provided are generally invested by Mercer in what are known as the Mercer funds (the “**Mercer Funds**”⁷). The Mercer Funds are not domiciled in the UK and are managed by the Mercer Group. In this section, we outline the approach of Mercer and the Mercer Group to identifying, assessing and managing climate risks for our discretionary investors.

⁷ The majority of the assets under management for Mercer's discretionary portfolio clients are invested in the following Mercer Portfolios or funds: the Mercer Unconstrained Growth Portfolio (which is comprised of around 10 different Mercer funds where the choice of underlying Mercer funds is at the discretion of Mercer), the Mercer Beta Focused Growth Portfolio (which also comprises of about 10 underlying Mercer funds where the choice of funds is at the discretion of Mercer), the Mercer Diversified Growth fund, the Mercer Multi Asset Growth fund, the Mercer Diversified Retirement fund, the Mercer Multi Asset Solution Fund along with Mercer LDI funds and the Mercer Tailored Credit fund.

1. Integration – risk reduction

- **Informing investment-related decisions and monitoring:**
Including climate-related analysis alongside traditional financial information in investment decision-making and monitoring allows Mercer to better understand potential impacts on its approach to the following investment activities:
 - **Strategic asset allocation (“SAA”):** Mercer Group’s SAA reviews of key model portfolios (including the Unconstrained Growth Portfolio), incorporate climate-related analysis as part of the decision process. The Unconstrained Growth Portfolio is diversified across asset classes, sectors, and geographies to manage risk, including climate-related risks. We evaluate the Portfolio under multiple scenarios and assumptions to inform SAA decisions, helping clients invested in the Portfolio pursue their long-term strategic goals and objectives.
 - **Portfolio Intelligence:** The Mercer Group evaluates portfolio risk exposures by asset-class, region and sector. Analysis of the funds and underlying managers in the Unconstrained Growth Portfolio and Beta Focused Growth Portfolio informs Mercer’s asset allocation decisions and selection of Mercer Funds. These assessments draw on our primary climate analysis tools and key metrics such as weighted average carbon intensity or “WACI”.
 - **Appointed managers/funds:** At the Mercer Fund level, the Mercer Group works closely with appointed managers to improve their ESG and climate change integration practices, where required. The majority of portfolios for Mercer’s UK discretionary clients are invested in the Mercer Funds. Within the Mercer Funds, the majority of appointed sub-investment managers manage separate accounts for Mercer, rather than pooled funds. This gives Mercer discretion to incorporate specific investment guidelines into investment management agreements with managers, including carbon intensity-related restrictions and exclusions on certain fossil fuel extraction activities.
- **Strengthening climate-related analysis:**
Climate-related analysis is a critical part of Mercer’s investment decision-making, and we monitor appropriate metrics to understand the impact of our investment decisions on progress against our Net Zero Target.

Our primary climate analysis tools are:
 - **Climate Scenario Analysis:** Specifically, evaluating portfolios under scenarios for 1.6°C (Rapid transition), 1.9°C (Delayed transition), 2.9°C (Limited transition) and 3.7°C (Failed transition) increase by 2100.
 - **Mercer Group’s ACT Framework: Mercer Group’s ACT Framework** draws on third party metrics for company-level emissions and reserves, transition commitments and green revenues, and UN Sustainable Development Goals indicators to categorise companies from ‘grey’ (high-carbon and low-transition investments) to ‘green’ (those already low-/zero-carbon or with climate solutions).
 - **Mercer’s Manager Sustainability and Stewardship Survey:** The Mercer Group sends this global survey to appointed investment managers to assess sustainability and stewardship practices. Insights from the dedicated climate change section combined with our portfolio analytics, inform our engagements with investment managers.

2. Active ownership – transition support

- Climate-related company engagement has to date largely been undertaken via the external underlying investment managers used within the Mercer Funds in which Mercer's discretionary portfolios invest. Key active investment ownership activities by the Mercer Group with a risk management lens include:

– **Regular Manager Meetings:** Regular meetings with appointed investment managers may involve discussions on material ESG issues, as relevant to portfolio investments (for example: manager carbon intensity, portfolio vulnerabilities, and specific investment opportunities).

– **Engagement Target Lists:** The Mercer Group maintains climate and nature engagement target lists based on holdings in high-impact sectors⁸ and those that contribute materially to portfolio emissions or nature-related risks⁹.

Appointed sub-investment managers with exposure to these holdings are expected to engage companies to assess decarbonisation and nature-risk strategies to encourage progress. The nature engagement target list was informed by analysis of large holdings across the Mercer Funds' assets and on reference benchmarks such as the Nature Action 100 and Forest 500.

– **Voting:** While proxy voting responsibility is delegated to equity managers, the Mercer Group reviews voting activity annually to ensure alignment with our climate-transition commitments and long-term value objectives. The Mercer Group's Stewardship Policy sets expectations for managers, including reviewing the level of climate-related disclosures and commitments made by companies, challenging the re-election of boards that have shown persistent inaction on climate change and/or climate-related disclosures, and considering voting against the re-appointment of directors that are not supportive towards aligning their business with the climate transition. The Mercer Group also encourages voting in favour of shareholder resolutions that promote climate-related disclosure and emission reduction targets.

- **Collaborative Initiatives:** The Mercer Group is a supporter/signatory to the following climate-related initiatives:

– Institutional Investors Group on Climate Change (IGCC)

– Climate Action 100+ (CA100+)

– Task Force on Nature-related Financial Disclosures (TNFD Forum Member)

– CDP

– Transition Pathway Initiative (TPI)

These initiatives help us manage risk by providing insight into upcoming policy reviews, peer engagements, and industry developments. Some of these initiatives, specifically CA100+, include direct company engagement to help drive better company-level climate risk management and disclosure.

⁸ High impact material sectors are as defined by the IIGCC. Certain material sectors are deemed high impact based on GHG emissions in their value chain. Transition of high impact material sectors are critical to achieving net zero and are those linked to the company focus lists of Climate Action 100+ and TPI, plus banks, real estate, agriculture, forestry, and fishing.

⁹ Based on the total emissions intensity of 69 multi-client active and passive equity and fixed income funds as of 30th June 2025.

3. Sustainability-themed investing

- Selection and Monitoring Process:** In portfolio construction we consider exposure to sustainability themes, including climate transition and adaptation. When selecting from the Mercer Funds, we draw on the Mercer Group's global investment manager research to evaluate manager capabilities and practices. Our manager assessments examine how managers incorporate material ESG factors (including climate) into their investment processes, and how relevant ESG risks are to the associated asset class in question.
- Allocations:** Some of the Mercer Funds include specific alignment provisions and/or climate-related restrictions in their investment management agreements. Many active equity solutions target a carbon-intensity reduction relative to their benchmarks, while several active fixed-income solutions apply exclusions for the very high-carbon emitters from the investible universe.
- Climate-aware Benchmarks:** Within the Mercer Funds used in the discretionary portfolios for UK clients, we employ a selection of passive strategies which track climate-aware benchmarks, for example, Paris-aligned and Climate Transition benchmarks as defined under the EU's Benchmark Regulation. These benchmarks typically exclude specified activities (for example, companies generating more than 5% revenues from thermal coal or oil sands extraction)¹⁰, and may embed emissions-reduction and alignment criteria. In some cases, benchmarks also incorporate ESG-tilting based on proprietary ESG scoring. Within the broader passive suite of solutions, the majority of the Mercer Funds are managed to bespoke benchmarks, which incorporate exclusions on certain fossil fuel extraction activities into the construction of the benchmark and is reflected in the constituents of the benchmarks themselves. The Mercer Group continues to explore the use of climate-aware benchmarks to better position passive solutions for the transition to a low-carbon economy.
- EU Sustainable Finance Disclosure Regulation (SFDR):** Most Mercer Funds disclose under Article 8 of the SFDR and have implemented binding product characteristics that promote positive environmental and social outcomes. These commitments include benchmark-relative WACI reductions, exclusions for high-carbon activities (for example, certain fossil fuel exposures) and an enhanced UN Global Compact aligned-engagement and escalation framework.

¹⁰ Gross revenue in the last full financial year is used, or where not available, net revenue based on available company filings.

6 Mercer's investment services

An overview of Mercer investments

Mercer offers customised guidance for investment decisions and risk management and monitoring to a broad range of institutional asset owners, including pension funds, insurance companies, endowments, foundations, wealth managers and other investors. Our purpose is to support clients in setting, implementing, and monitoring investment strategies that meet their goals and fiduciary responsibilities.

This section describes Mercer's UK investment services business. Mercer offers both advisory and portfolio management services. Discretionary management decisions for UK clients are made by Mercer, and where clients are invested in pooled vehicles, they are typically invested in Mercer Funds managed by the Mercer Group (the Mercer Funds are not UK-domiciled). Mercer's selection and use of those funds is what brings the firm into scope for TCFD disclosure requirements¹¹.

Mercer is regulated by the FCA, and the Mercer Group is authorised and regulated by various similar regulatory bodies in other jurisdictions, such as the Central Bank of Ireland.

The investment manager of the Mercer Funds within the Mercer Group has published a Sustainability Policy (available [here](#)) that sets out how it intends to manage climate-related risks and opportunities for the Mercer Funds.

Mercer Workplace Savings is Mercer's DC investment and governance offering for UK defined contribution (DC) schemes and uses the Mercer Funds.

6.1 Our investment philosophy

Mercer Group's investment philosophy (the "**Investment Philosophy**") enables it to set a clear top-down view on the approach to climate change. Mercer Group revised its Investment Philosophy during 2024 to reflect the evolving and dynamic investment environment in which both the Mercer Group and its clients operate. The Investment Philosophy outlined below serves as the foundation of Mercer Group's approach to help drive client success.

¹¹ The majority of the assets under management for Mercer's discretionary portfolio clients are invested in the following Mercer Portfolio or Mercer funds: the Mercer Unconstrained Growth Portfolio (which is comprised of around 10 different Mercer funds where the choice of underlying Mercer funds is at the discretion of Mercer), the Mercer Beta Focused Growth Portfolio (also comprised of about 10 underlying Mercer funds where the choice of Funds is at the discretion of Mercer), the Mercer Diversified Growth Fund, the Mercer Multi-Asset Growth Fund, the Mercer Diversified Retirement Fund, the Mercer Multi Asset Solution Fund along with the Mercer LDI Funds and the Mercer Tailored Credit Funds.

Mercer Group's Investment Philosophy



In terms of sustainability, climate change and stewardship, Mercer Group's Investment Philosophy covers the following areas:

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.

Strong governance – Effective stewardship plays a crucial role in improving investment outcomes.

- Effective stewardship and engagement with companies, policymakers and stakeholders play 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.

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.

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 as a result of these trends.

The Investment Philosophy coupled with clearly defined processes ensure sustainability, climate change and stewardship considerations are embedded across our investment solutions and services.

6.2 Investment services

Management of climate risks and opportunities plays a key role in the advice and services we provide to our investment clients as set out below:

(a) Investment advice:

Mercer has been advising its asset owner clients on sustainable investment issues since the formation of Mercer Group's specialist global Sustainable Investment Team in 2004. Our advice is aligned with UK regulatory expectations for asset owners. For Mercer Group, sustainable investment captures environmental, social and governance considerations and other systemic risks (including climate change) through approaches such as integration for resilience, capital allocation across sustainability themes, and effective stewardship. Investors typically use these approaches to address risks, generate long-term value and/or create positive societal outcomes. Investment consultants are expected to integrate these elements in their advice where applicable.

(b) Portfolio management:

As above, Mercer's business involves portfolio management activities, which brings it into scope for the purposes of TCFD.

Mercer's approach to monitoring and managing climate risks for their discretionary investors is set out in section 5.5.

Mercer selects and combines funds across equities, fixed income, passive solutions, and alternatives. Management of climate risks is a consideration for the selection of these funds. The majority of investment funds used within the delegated solutions offered to UK clients are Mercer Funds, and most UK clients invest in either the Mercer Multi Asset Solution Fund, or a discretionary portfolio referred to as the Mercer Unconstrained Growth Portfolio or the Mercer Beta Focused Growth Portfolio which is a lower cost version of the Unconstrained Growth Portfolio.

(c) Mercer workplace savings (MWS):

MWS is Mercer's DC workplace pension investment and governance solution available within either contract-based or trust-based pension scheme arrangements. Aviva Life & Pensions UK Limited ("**Aviva**") and Scottish Widows Limited ("**Scottish Widows**") have delivered the MWS investment solution to both corporate and trustee clients including the Mercer Master Trust, via their insurance platforms during the year. The MWS investment solution is newly available to clients of the Mercer Smart Pension section of the Smart Pension Master Trust via Smart Pension's chosen insurance investment platform of Mobius Life Limited ("**Mobius Life**").

The MWS investment solution consists of a number of unit-linked funds which corporate and trustee clients make available for their employees and members to invest their workplace pension savings contributions in. Some of these unit-linked funds are also used as part of the Mercer SmartPath™¹² investment strategies, which are designed for use as default investment arrangements – where a member's workplace pension savings contributions are invested if they have expressed no choice in relation to the investment of these contributions. The Mercer SmartPath™ objective is to improve the adequacy and sustainability of members' pension savings.

¹² Mercer SmartPath™ is a pre-set investment portfolio available to corporate and trustee clients, for them to make available for their employees and members to invest their workplace pension savings contributions in as a default arrangement. It delivers an appropriate lifestyle investment strategy for each of the three at-retirement options: cash, annuity (secured income), or income drawdown (variable income). <https://www.uk.mercer.com/what-we-do/wealth-and-investments/mercero-smartpath.html>

The MWS Investment Governance Committee (the "**MWS IGC**"), consisting of senior Mercer DC investment specialists, has overarching responsibility for the MWS investment arrangements delivered over the year through Aviva, Scottish Widows and Mobius Life. The Trustees of the Mercer Master Trust take responsibility for member assets invested via the Mercer Master Trust. The Mercer Defined Contribution (DC) Segment Investment Committee has responsibility for the strategic asset allocation of the key multi-asset funds used by MWS and the Mercer Master Trust. The MWS IGC and Mercer Master Trust Trustees, with the support of the Mercer Group (as set out in section 6.5) take responsibility for:

- Choosing the range of funds made available as part of the MWS investment solution;
- Reviewing proposed changes to the strategic asset allocation of the key multi-asset funds; and
- Designing the glidepaths of the Mercer SmartPath™ strategies.

The majority of investment funds used within the MWS investment solution are Mercer Funds. For some of these Mercer Funds, there are specific alignment provisions and/or climate-related restrictions in the investment management agreements with appointed managers.

When choosing to use the Mercer Funds, the MWS IGC and Mercer Master Trust Trustees are looking at how climate change integration is incorporated into the manager selection and portfolio management of the relevant investment funds. In particular, the majority of Mercer Funds made available within the MWS arrangements are funds that disclose under Article 8 requirements of the EU's Sustainable Financial Disclosure Regulations. This means that the fund promotes, among other characteristics, environmental or social characteristics.

As described above, MWS has been offered in partnership with Aviva and Scottish Widows. Their entity-level reports can be found at the links below.

Scottish Widows:

www.scottishwidows.co.uk/climatereport;

Aviva:

<https://www.aviva.com/sustainability/reporting/climate-related-financial-disclosure>

– Public TCFD product reports related to MWS are currently produced and published by Aviva and Scottish Widows.

6.3 Activity over 2025 across the advice and solutions provided to asset owners

During 2025, we continued to evolve our approach to helping asset owners manage climate-related risks and seek climate-related opportunities. Four highlights stand out:

- Mercer assisted circa 50 UK pension schemes prepare TCFD reports in accordance with the DWP's Climate Change Governance and Reporting Regulations. These schemes were required to set a climate target, which, for many, was a target to reduce carbon intensity on a portion of their assets by 2030. Mercer provided updated climate scenario analysis for schemes that had updated their investment or funding strategy during the scheme year or had last looked at climate scenario analysis over three years ago.
- Mercer helped clients understand the resilience of their funding and investment strategy with consideration of the impact on markets, and for defined benefit (DB) schemes, their sponsor covenant and longevity risk.
- Mercer Group's ACT Framework supports an increasing number of clients in setting net zero targets and developing transition plans. The ACT Framework emphasises investor stewardship alongside direct investment in climate-related solutions and broader integration of climate considerations across the investment process.
- During 2025, Mercer continued to produce emissions attribution analysis, using ACT Framework, to better understand the drivers for year-on-year change in carbon intensity metrics. Mercer Group's [Transition Today: Progress Update](#) paper reinforces the paradox between portfolio and real-world emissions.
- Mercer held a Climate Transition breakfast seminar to educate asset owners on the financial risks and opportunities associated with the climate transition and the importance of considering climate adaptation from an investment perspective.
- Mercer continued to monitor progress against the net zero transition pathway for its discretionary model growth portfolios and Mercer Funds, and to consider the impact of any investment changes on progress against the pathway.

6.4 Investment services: internal structure

This section should be read in conjunction with section 3 of this report.

Our approach to climate change combines the Mercer Group's global investment manager research and sustainable investment expertise with local investment consulting expertise to deliver decision-useful climate-related advice to asset owners. This enables us to adopt a globally consistent approach to climate change integration across our investment business delivered by local experts.

Mercer's global Sustainable Investment Team (the "SI Team") sits at the heart of our approach to climate change. The SI Team was formed in 2004 and has extensive experience advising leading global institutions on ESG issues, stewardship, sustainability, and climate change. The SI Team currently has 22 experienced professionals across Mercer globally and is supported by its integrated sustainable investment capability network of consultants and analysts across all regions including the UK.

The SI Team is responsible for determining Mercer's approach to climate change scenario analysis, climate-related metric analysis, climate-related target setting and transition plan construction. It is also responsible for understanding and integrating climate-related themes in our research. The SI Team works closely with strategic research, manager research and investment consulting colleagues to deliver climate-related investment advice.

Additionally, within the Investment Solutions business of Mercer Group, the Sustainable Investment Solutions Centre (the "SISC Team") consists of 22 individuals who are responsible for sustainability integration across the Mercer Funds and directly managed assets. The SISC Team is responsible for translating Mercer Group's thought leadership and best practices into clear policies and processes for implementation into portfolios, including the Mercer Funds.

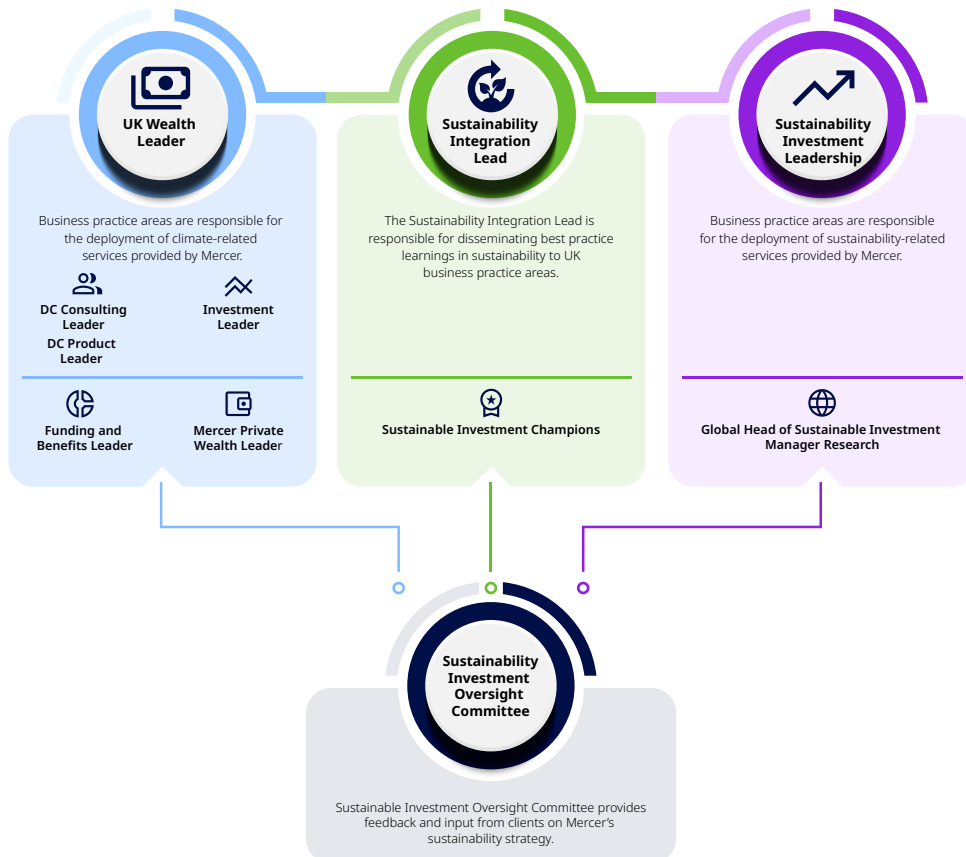
Management structure

In the UK, Mercer has a dedicated leadership structure to integrate climate-risk considerations into the advice and solutions that we provide to asset owners. This includes defined roles and responsibilities focused on sustainability, cross-functional working groups, and regular engagement with colleagues, clients, and external stakeholders to ensure sustainability considerations are embedded across the firm.



The diagram below illustrates the organisational structure and identifies key resources applied to Mercer’s climate change approach.

Mercer’s Business Practice Leadership for Sustainability and Stewardship Services



Business practice leadership

The following section sets out the roles and key responsibilities with respect to Mercer’s climate change activities and advice:

- UK Wealth Leader:** The UK Wealth Leader sets the tone and expectations for leaders in the Wealth business, including in relation to investment, structure, and resources to effectively address sustainability and climate change through our products and services. As a member of the UK Executive Team, the UK Wealth Leader is responsible for aligning with Mercer’s broader climate-related strategy.
- UK Investments Leader:** The UK Investments Leader is responsible for the sustainability and climate-related services provided by Mercer to UK asset owners through the provision of advice or discretionary management services. The UK Investments Leader is actively supported by the UK Sustainability Integration Lead. Sustainability-related advice and climate-focused advice is increasingly incorporated into investment advice across relevant areas such as within objective and investment policy setting, manager selection and monitoring (consistent with Mercer Group’s Investment Philosophy). The UK Investments Leader also oversees Mercer’s work in supporting asset owners to meet their regulatory disclosure requirements, such as the preparation and disclosure of an annual TCFD report.

Other business practice leaders are responsible for deploying sustainability-related services to our clients. They use cross-functional working groups to engage clients and other stakeholders to integrate sustainability considerations into our solutions, with examples shown below:

- **DC Leaders:** Our DC consultants work with our DC clients to consider sustainability and climate-related risks and opportunities. The DC Leader has oversight of MWS and adopts sustainability and climate-related considerations at the strategy and management level.
- **Mercer Private Wealth Leader:** Mercer Private Wealth supports individuals and companies across the full financial lifecycle. Our financial advisors work with high net-worth individuals to consider sustainability-related risks and opportunities, including climate change. The Mercer Private Wealth business also leverages the intellectual capital, products, and services of Mercer's UK Investments teams, drawing on specialist climate expertise where relevant.
- **Funding Leader:** Our scheme actuaries work with our clients to consider climate-related risks and opportunities, such as the impact on longevity and pension scheme sponsor covenant.

Integration of best practice

- **Sustainability Integration Lead:** The Sustainability Integration Lead equips UK investment consultants with sustainability knowledge and insight, integrating ESG factors – including climate, nature, social factors and stewardship – into investment advice. They support clients', regulatory needs (for example, Implementation Statements and TCFD reporting) and work closely with the global specialist SI Team and UK Wealth leaders, to keep client advice current and decision-focused.

- **Global Head of Sustainable Investment Manager Research** – The Global Head of Sustainable Investment Manager Research for Mercer Group supports the UK Investments Leader and the Sustainability Integration Lead, and is responsible for integrating sustainability-related considerations - including climate change and stewardship - into Mercer's manager research. This research enables consultants to align manager selection with clients' sustainable investment objectives and monitor incumbent managers against the broader investment manager universe. This research is also used within the Mercer Funds. For appointed and candidate managers, exposure to climate solutions is considered as one part of the portfolio construction decision.
- **Sustainable Investment Champions:** The Sustainable Investment Champions in the UK are a select group of analysts and consultants who support investment consultant colleagues. They undertake analysis and present on sustainable investment topics to clients and at external events.

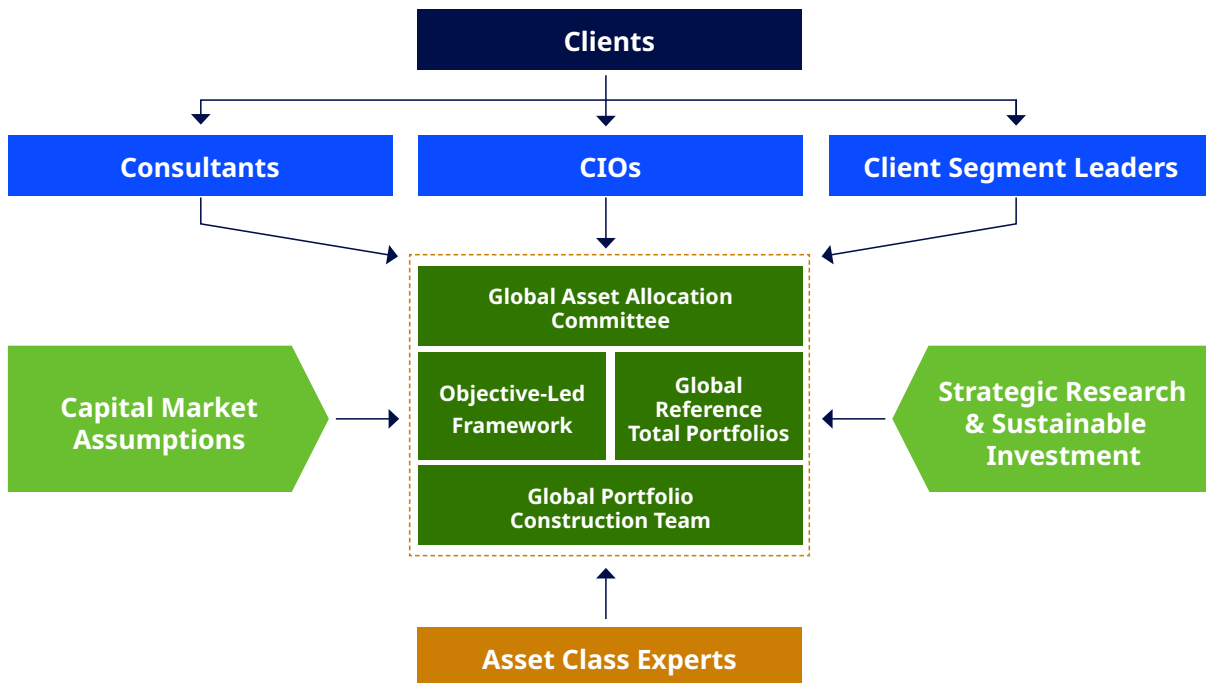
Continuous Improvement

- **Sustainable Investment Oversight Committee:** The Sustainable Investment Oversight Committee provides client and colleague feedback on Mercer's sustainability strategy to the Sustainable Investment Leadership and the Business Practice Leadership where relevant. The Committee comprises the Sustainability Integration Lead and eight business representatives from across client segments, including DB and DC pension schemes, local government pension schemes, endowments and foundations, insurance and wealth management. It meets monthly to review consulting materials on ESG integration, climate change, nature and stewardship, and to determine whether those materials will support clients' with investment decision-making and governance processes.

6.5 Wider Global Resources

The UK Investments business benefits from the leadership and support of the Mercer Group. This reinforces the growing importance of climate-related considerations, and monitoring for developments within decision-making across asset owners.

Climate change forms an important part of our investment research agenda. It is therefore embedded in our manager research, strategic research, and intellectual capital.



7 Metrics and targets

7.1 Entity level metrics and targets

Mercer, as part of the Group, recognises its obligation to be a good steward of the environment and continues to look at ways to minimise its carbon footprint and impact on the environment.

The approach to the environment and environmental reporting is managed at Group level. As part of the Group, Mercer maintained its certification as a CarbonNeutral® company, which was first achieved in 2021 across all of the Group's global operations. As mentioned, the Group has committed to its Net Zero Target

The 2025 Report sets out the Group's business responsibility and climate initiatives. In line with TCFD Recommendations and Recommended Disclosures, the 2025 Report sets out the metrics and targets used by the Group, to assess and manage relevant climate-related risks and opportunities.

Please refer to the following sections of the [2025 Report](#) for further detail on metrics and targets:

Page 8 sets out the Group's commitment to net zero.

Page 18 of Appendix A sets out the Group's 2025 emissions inventory, including Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions.

As detailed in section 3 of this report, Mercer incorporates the Group's climate-related targets into Mercer's strategy for business conducted in the UK and discloses progress against these targets in accordance with local regulations.

Mercer's total emissions scope summary for the year ended 31 December 2025 is as follows:

Total emissions						
	2025		2024		2023	
	(Tonnes of CO ₂ e) Location based	(Tonnes of CO ₂ e) Market based	(Tonnes of CO ₂ e) Location based	(Tonnes of CO ₂ e) Market based	(Tonnes of CO ₂ e) Location based	(Tonnes of CO ₂ e) Market based
Scope 1 – Direct	116	116	134	134	302	302
Scope 2 – Indirect	706	500	965	362	1,779	570
	822	616	1,099	496	2,080	872
Scope 3 – Indirect	111	111	127	127	52	52
Total	933	727	1,226	623	2,132	924
Total TCO₂e on Scopes 1&2 above	822	616	1,099	496	2,080	872
Headcount as at 31 December		2548		2,654		4,074
Intensity measurement (TCO ₂ e per employee)	0.32	0.24	0.41	0.19	0.51	0.21
	Electricity (kWh)	Gas (kWh)	Electricity (kWh)	Gas (kWh)	Electricity (kWh)	Gas (kWh)
Energy consumption used to calculate emissions (kWh)	3,986,863.53	603,037	4,659,470	670,413	8,587,355	1,018,713
	Total	4,589,901	Total	5,329,883	Total	9,606,068

Note

The company's UK facilities are largely operated on a shared basis with other operating companies within the Group. The portfolio is predominantly leased and is managed centrally. The supply of gas and electricity for a property can either be sourced by the company or the supply managed via a building landlord.

The increase in scope 3 emissions relative to prior years are primarily due to a change in calculation methodology and process enhancements. The company expects to rebase using the new calculation methodology.

Mercer reports on energy consumption and GHG in its annual report and accounts (the "Accounts") in accordance with the Streamlined Energy and Carbon Reporting regulations ("SECR").

This includes an outline of the methodology used to calculate carbon emissions, for which Mercer has taken guidance from the UK Governmental Reporting Guidelines, Greenhouse Gas Protocol reporting standard and UK Governance Greenhouse Gas Conversion Factors.

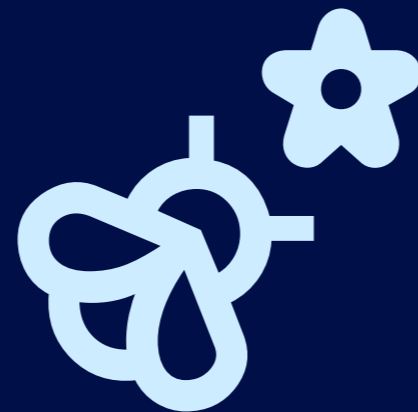
7.2 Asset management metrics and targets

This section covers the model investment discretionary growth portfolios and the Mercer Funds commonly used by Mercer's UK discretionary clients. Mercer has set a Net Zero Target for its model discretionary growth portfolios including the Unconstrained Growth Portfolio and the Mercer Beta Focused Growth Portfolio. The Mercer Group has also set a Net Zero Target for the Mercer Diversified Growth Fund, Mercer Multi Asset Growth Fund, Mercer Multi Asset Solution Fund and Mercer Diversified Retirement Fund.

We recognise that accurate climate data coverage varies across asset classes. Mercer and the Mercer Group therefore actively encourage our investment managers, who in turn (where achievable) encourage the underlying companies in which they invest, to improve climate-related reporting and data quality as quickly as reasonably possible.

a) Metrics

Climate-related metrics help Mercer understand climate exposures and opportunities, and identify areas for further risk management. We currently report on the following metrics in line with the TCFD framework, which we believe to be credible and easy to understand measures that are useful in decision-making:



Absolute Emissions

Absolute Emissions represent each company's reported or estimated greenhouse gas (GHG) emissions. We present Scope 1 + 2 emissions together (Scope 3 is shown separately). Scope 1 covers direct emissions from sources owned or controlled by the company (for example, fuel combustion in company vehicles). Scope 2 covers indirect emissions from purchased energy generation. Scope 3 covers other indirect emissions in the value chain, including upstream supplier activities and downstream distribution and use of sold products. At present, Scope 3 emissions can be challenging to measure reliably, and as such we use only estimated data sets as calculated by MSCI.

Carbon Footprint

Carbon Footprint measures carbon emissions (in metric tonnes CO₂e) per million US dollars invested for listed equity and corporate fixed income. We scale by size of investment to remove the effect of asset growth and enable consistent tracking of financed-emissions intensity against a baseline over time. This follows the TCFD recommended approach for reporting carbon-intensity metrics. For sovereign debt, we normalise a country's production emissions by Purchasing-Power-Parity (PPP)-adjusted gross domestic product (GDP) rather than by sales, producing a sovereign emissions-intensity metric that is comparable across countries.

Weighted-Average Carbon Intensity (WACI)

WACI measures portfolio carbon intensity as the weighted average of company emissions per million US dollars of revenues for listed equities and corporate fixed income.

Science Based Target Initiative (SBTi) - approved targets

Percentage of portfolio companies with SBTi-approved net zero or decarbonisation targets assessed by the Science Based Targets initiative (SBTi).

Implied Temperature Rise

Implied Temperature Rise (ITR) estimates the warming scenario with which an investment is aligned. As a forward-looking metric, ITR helps infer the degree to which a portfolio aligns with the goals of the Paris Agreement (for example, limiting global warming to well below 2°C). We recognise that alignment with net zero pathways is not yet widespread among companies; but alignment should increase over time as companies transition their business models.

Data Quality

Percentage of the portfolio which has: reported data, estimated data, verified data and not covered data. This metric represents the share of portfolio holdings (by market value at year-end) for which climate-related metrics of acceptable quality have been obtained. The share of the portfolio for which there are high quality climate-related disclosures is a good indication of the integration of climate risk in decision-making

Climate Value at Risk (Climate VaR)

Climate VaR estimates the expected impact on portfolio returns from climate-related transition and physical risks under a 1.5°C scenario out to 2100. It is a forward-looking, returns-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio across top-down risks and opportunities (transition and physical exposures) and bottom-up risks and opportunities (policy/economic impacts and technology/company-specifics).

The following tables set out the metrics for the discretionary portfolios and the Mercer Funds most commonly used in the management of UK discretionary clients as at 31 December 2025. Mercer manages \$35bn assets under management (“AUM”) for UK clients under an IMA.

Table 1: Scope 1 and 2 emissions-based metrics covering corporate holdings

Emissions-based metrics Scope 1+2	Assets under management 31-Dec-25 (\$mn)	Absolute emissions (tCO ₂ e) Corporate Assets	Carbon footprint (tCO ₂ e/\$m invested)		Weighted average carbon intensity (tCO ₂ e/\$m revenue)	
			Coverage	Metric	Coverage	Metric
Unconstrained Growth Portfolio	739.2	20,438	74%	67.0	74%	121.0
Beta Focused Growth Portfolio	374.3	14,269	85%	66.1	85%	136.8
Mercer Multi Asset Solution Fund	997.3	35,369	84%	66.4	85%	135.8
Mercer Multi Asset Growth Fund ¹³	10,060.3	293,261	97%	39.2	98%	98.9
Mercer Diversified Growth Fund ¹³	10,909.1	319,298	97%	45.3	97%	140.4
Mercer Diversified Retirement Fund	2,981.0	94,425	94%	49.7	94%	115.1
Liability Driven Investment Funds ¹⁴	4,552.6	-	-	-	-	-
Tailored Credit Funds ¹⁵	5,737.2	154,376	95%	28.8	95%	86.2

Table 2: Scope 1 and 2 emissions-based metrics covering sovereign holdings (production emissions)

Emissions-based metrics Scope 1+2	Production Emissions Including LULUCF				Production Emissions Excluding LULUCF			
	Sovereign Carbon Intensity (tCO ₂ e / \$M PPP – Adjusted GDP)		Absolute Emissions (tCO ₂ E)		Sovereign Carbon Intensity (tCO ₂ e / \$M PPP – Adjusted GDP)		Absolute Emissions (tCO ₂ E)	
	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric
Unconstrained Growth Portfolio	100%	183.9	100%	98,979	100%	174.2	100%	93,729.3
Beta Focused Growth Portfolio	100%	173.3	100%	46,647	100%	169.6	100%	45,629.4
Mercer Multi Asset Solution Fund	100%	256.5	100%	51,435	100%	231.6	100%	46,458.3
Mercer Multi Asset Growth Fund	100%	186.4	100%	326,585	100%	167.3	100%	293,019.6
Mercer Diversified Growth Fund	100%	189.0	100%	400,727	100%	175.5	100%	372,024.0
Mercer Diversified Retirement Fund	100%	155.8	100%	138,798	100%	144.6	100%	128,828.7
Liability Driven Investment Funds ¹⁴	100%	100.9	100%	977,102	100%	96.8	100%	937,847.7
Tailored Credit Funds ¹⁵	100%	97.7	100%	19,662	100%	93.9	100%	18,898.6

¹³ AUM based on total AUM of Sub-Funds which are distributed to UK and ex-UK investors.

¹⁴ Liability Driven Investment Portfolio refers to a portfolio consisting of Mercer LDI Fund I, Mercer Sterling Inflation Linked LDI Bond Fund, Mercer Sterling Nominal LDI Bond Fund, Mercer Flexible LDI £ Real Enhanced Matching Fund 1, Mercer Flexible LDI £ Real Enhanced Matching Fund 2, Mercer Flexible LDI £ Real Enhanced Matching Fund 3, Mercer Flexible LDI £ Fixed Enhanced Matching Fund 2, Mercer Flexible LDI £ Fixed Enhanced Matching Fund 3 and Mercer Flexible LDI GBP Inflation Enhanced Matching Fund 1.

¹⁵ Tailored Credit Portfolio refer to a portfolio consisting of Mercer Tailored Credit Fund 0, Mercer Tailored Credit Fund 1 and Mercer Tailored Credit Fund 2.

Table 3: Scope 1 and 2 emissions-based metrics covering sovereign holdings (consumption emissions)

Emissions-based metrics Scope 1+2	Consumption Emissions					
	Sovereign Carbon Intensity (tCO ₂ e / capita)		Sovereign Carbon Intensity (tCO ₂ e / \$M PPP – Adjusted GDP)		Absolute Emissions (tCO ₂ E)	
	Coverage	Metric	Coverage	Metric	Coverage	Metric
Unconstrained Growth Portfolio	100%	11.7	100%	195.8	100%	105,367
Beta Focused Growth Portfolio	100%	12.1	100%	192.8	100%	51,884
Mercer Multi Asset Solution Fund	100%	11.6	100%	237.8	100%	47,693
Mercer Multi Asset Growth Fund	100%	7.8	100%	183.0	100%	320,558
Mercer Diversified Growth Fund	100%	9.3	100%	191.9	100%	406,908
Mercer Diversified Retirement Fund	100%	8.5	100%	169.8	100%	151,312
Liability Driven Investment Funds ¹⁴	100%	8.1	100%	136.6	100%	1,322,938
Tailored Credit Funds ¹⁵	100%	7.7	100%	131.7	100%	26,498

Table 4: Scope 3 emissions-based metrics for corporate exposures only (sovereign data not available)

Emissions-based metrics Scope 3	Absolute emissions (tCO ₂ e) Corporate assets		Carbon footprint (tCO ₂ e/\$m invested)		Weighted average carbon intensity (tCO ₂ e/\$m revenue)	
	Upstream	Downstream	Upstream	Downstream	Upstream	Downstream
Unconstrained Growth Portfolio	47,535	116,582	64	158	145	305
Beta Focused Growth Portfolio	28,965	75,501	77	202	195	375
Mercer Multi Asset Solution Fund	59,189	162,147	59	163	158	321
Mercer Multi Asset Growth Fund	709,294	1,970,250	71	196	198	332
Mercer Diversified Growth Fund	652,114	1,883,144	60	173	178	298
Mercer Diversified Retirement Fund	219,610	638,939	74	214	168	338
Liability Driven Investment Funds ¹⁴	-	-	-	--	-	-
Tailored Credit Funds ¹⁵	419,221	742,740	73	129	206	314

Scope 3 emissions are provided for listed equities and corporate bonds as they are based on corporate metrics. Sovereign assets, cash and derivatives are excluded from this analysis. Estimated data is used due to the lack of availability or poor quality of reported data. In the data presented above, reported Scope 3 emissions are still classified as being estimated. Using only MSCI estimated scope 3 data ensures that data methodology is consistent for all companies across similar sectors, providing a more robust understanding of where the risks lie and a better intertemporal understanding of how portfolios have evolved. Note, due to its estimated nature, it is not recommended to base investment decisions on scope 3 data until availability and reliability of reported data improves.

Table 5: Data quality metric for corporate exposures only

Data quality Scope 1+2 (Corporate only)	Corporate assets (% of portfolio)	Reported		Estimated		Unavailable	
		Scope 1+2	Scope 3*	Scope 1+2	Scope 3	Scope 1+2	Scope 3
Unconstrained Growth Portfolio	41%	27%	23%	4%	31%	11%	10%
Beta Focused Growth Portfolio	58%	44%	40%	5%	49%	9%	8%
Mercer Multi Asset Solution Fund	53%	41%	37%	4%	45%	8%	8%
Mercer Multi Asset Growth Fund	74%	66%	61%	6%	73%	2%	2%
Mercer Diversified Growth Fund	65%	57%	53%	6%	63%	2%	2%
Mercer Diversified Retirement Fund	64%	53%	49%	6%	60%	4%	4%
Liability Driven Investment Funds ¹⁴	-	-	-	-	--	-	-
Tailored Credit Funds ¹⁵	93%	80%	75%	9%	89%	4%	4%

Table 6: Non-emissions-based metrics and alignment metrics for the corporate exposures only

Non-emissions-based & alignment metrics	Corporate assets (% of portfolio)	Climate value at risk		Implied temperature rise		SBTi alignment (%)
		Coverage	Metric (%)	Coverage	Metric (°C)	
Unconstrained Growth Portfolio	41%	67%	-11.0	58%	3.33	28%
Beta Focused Growth Portfolio	58%	80%	-10.2	71%	3.34	39%
Mercer Multi Asset Solution Fund	53%	80%	-10.4	78%	3.35	42%
Mercer Multi Asset Growth Fund	74%	96%	-9.1	95%	3.04	54%
Mercer Diversified Growth Fund	65%	95%	-10.1	94%	2.98	52%
Mercer Diversified Retirement Fund	64%	85%	-12.7	91%	3.03	46%
Liability Driven Investment Funds ¹⁴	-	-	-	-	-	-
Tailored Credit Funds ¹⁵	93%	66%	-11.2	89%	2.69	41%

¹⁴ Liability Driven Investment Portfolio refers to a portfolio consisting of Mercer LDI Fund I, Mercer Sterling Inflation Linked LDI Bond Fund, Mercer Sterling Nominal LDI Bond Fund, Mercer Flexible LDI £ Real Enhanced Matching Fund 1, Mercer Flexible LDI £ Real Enhanced Matching Fund 2, Mercer Flexible LDI £ Real Enhanced Matching Fund 3, Mercer Flexible LDI £ Fixed Enhanced Matching Fund 2, Mercer Flexible LDI £ Fixed Enhanced Matching Fund 3 and Mercer Flexible LDI GBP Inflation Enhanced Matching Fund 1.

¹⁵ Tailored Credit Portfolio refer to a portfolio consisting of Mercer Tailored Credit Fund 0, Mercer Tailored Credit Fund 1 and Mercer Tailored Credit Fund 2.

- As at Date 31/12/25. FX rate used 1.345 GBP/USD.
- Data Source: MSCI Barra One.
- Calculated figures are rebased to 100% to represent full coverage.
- Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.
- Where look-through is not available on certain passively managed external pooled vehicles, comparable index proxies have been used to supplement the data.
- Sovereign consumption emissions are calculated in line with the PCAF definition: production emissions, less exported emissions, plus imported emissions. Our sovereign emissions exclude land use, land-use change and forestry (LULUCF). Methodological improvements to sovereign-bond emissions estimation over time mean earlier results are not directly comparable with the current analysis; therefore, this report presents sovereign figures on a like-for-current-methodology basis and does not incorporate prior sovereign estimates.
- Sovereign production emissions are calculated in line with PCAF's definition of Scope 1 sovereign emissions and align with the UNFCCC definition of domestic territorial emissions, which include emissions from exported goods and services. We present sovereign emissions both including and excluding land use, land-use change and forestry (LULUCF). Absolute emissions include corporate exposures (equity, corporate credit and securitised assets) and sovereign exposures where relevant. Excluded from the analysis are derivatives and certain collective investment schemes for which a look-through is not available.
- LDI metrics from total long only exposure to UK Gilts and Cash (\$4,552,588,523) are shown in the above table. Short exposures and derivatives (including repos) are excluded from this analysis. LDI assets are presented as portfolio value less synthetic funding (short/repos/other items).
- These figures are provided for informational purposes only. Some underlying funds may promote environmental and/or social characteristics – see the fund offering documents for full details – but the model portfolios themselves do not promote environmental or social characteristics, and do not commit to making sustainable investments.

(b) Targets

As mentioned above, Mercer has set a Net Zero Target for portfolio carbon intensity by 2050 for its model discretionary growth portfolios, including the Unconstrained Growth Portfolio and Beta Focused Growth Portfolio. As an interim milestone, Mercer expects to reduce portfolio carbon intensity by 45% by 2030 versus a December 2019 baseline. These targets were established on the basis that limiting long-term warming to 'well below 2°C' – consistent with the 2015 Paris Agreement – represents an appropriate risk-return for long-term diversified investors; however, faster or greater reductions may be required to maintain that alignment status. Mercer is committed to pursuing these targets without altering investment objectives or expected risk/return profiles, so as to deliver both short and long-term investor outcomes. Mercer will seek to align the Unconstrained Growth Portfolio with these targets.

We use Weighted-Average Carbon Intensity ("WACI") to track portfolio exposure to corporate emissions. WACI is measured in tonnes of CO₂e per US\$ million of revenue and is widely used to assess relative carbon exposure across portfolios and assets.

Progress to date: The Unconstrained Growth Portfolio has reduced its WACI by 47% relative to the December 2019 baseline and is progressing towards our interim 2030 target and 2050 target.

Unconstrained Growth Portfolio

Over the course of 2025, the Unconstrained Growth Portfolio saw a decrease of 22% in the carbon intensity profile of the portfolio, from 155 tCO₂e/\$m revenue to 121 tCO₂e/\$m revenue.

On a portfolio level basis, the underlying investment fund building blocks saw carbon intensities fall. At an underlying fund level, fixed income allocations contributed the most to the decrease. The Emerging Market Debt Hard Currency had a reduction in carbon intensity which contributed to a large part of the reduction at the overall portfolio level. A reduction in asset allocation to the Mercer Dynamic Asset Allocation Fund also contributed positively, as this is a strategy which has high carbon intensity due the underlying exposures to emerging market regions. The Mercer Multi Asset Credit Fund also saw carbon intensity fall by 19% over the year which had a positive impact of 1.5% on the Unconstrained Growth Portfolio's carbon intensity. The Portfolio's allocation to passive sustainable equities, which has a Paris-aligned benchmark contributed positively and provided steady decarbonisation throughout the year. The Portfolio saw an increase in SBTi-aligned assets over the course of 2025 (from 24% to 28%), a decrease in the Portfolio's Climate Value at risk (-15% to -11%) and a decrease in the Portfolio's Implied Temperature Rise (from 4.1°C to 3.3°C).

All metrics have their drawbacks when considered in isolation, which is why multiple climate-related metrics are considered when managing climate risk in our portfolios.

As data coverage improves and accuracy in our carbon monitoring increases, so will our ability to make informed decisions and better plan for our long term commitments.

Our tracking methodology includes attribution analysis to isolate the impact of asset allocation and changes to underlying holdings on portfolio carbon intensity. This supports our decision-making and stewardship efforts, as well as strengthens the link between portfolio-level intensity reductions and real-world emissions outcomes.

The Unconstrained Growth Portfolio applies to \$734mn of AUM for UK clients as at 31 December 2025.

Carbon-reduction targets function like performance targets: they set expectations and provide clear goalposts to measure progress.

To meet these targets, Mercer will deploy several key levers:

- **Strategic asset allocation and portfolio construction decisions:** to allocate to solutions that support climate goals while remaining consistent with fiduciary responsibilities.
- **Asset-class implementation:** select strategies and funds that balance climate-alignment with risk-return considerations for each asset class.
- **Portfolio-level climate commitments:** implement carbon-related policy measures with certain strategies – for example: active equity strategies with intensity-reduction targets versus benchmarks, and active fixed-income strategies that restrict exposure to high-intensity issuers (carbon intensity above 3000tCO₂). Exclusions apply to specified high-carbon activities such as certain thermal coal extraction, arctic drilling and oil sands mining).
- **Enhanced stewardship:** prioritise engagement and voting with companies identified as having higher potential adverse impacts on climate and nature, to encourage credible transition plans and business-model change.
- Mercer will look to the Mercer Group for support with stewardship – including voting and engagement tools – to support real-world transition within company business models.

The Mercer Group is working closely 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. Progress on reductions will continue to be monitored. These targets are also embedded within the Mercer Group's governance, risk management, and strategy processes and communicated to relevant partners and third parties.

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This report has been prepared in compliance with Chapter 2 'Disclosure of climate-related financial information' of the FCA ESG Sourcebook. As stated in section 2.2 of this report, where data is not currently available, this has been disclosed as permitted under the ESG Sourcebook.

I confirm to the best of my knowledge that the disclosures provided in this report for Mercer Limited, including any third party or group disclosures

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Phil Parkinson
President & CEO Mercer UK
9 June 2026

Mercer

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