

Investment Solutions Europe

Annual Voting Report

April 2021

welcome to brighter



Annual Voting Report

Overview

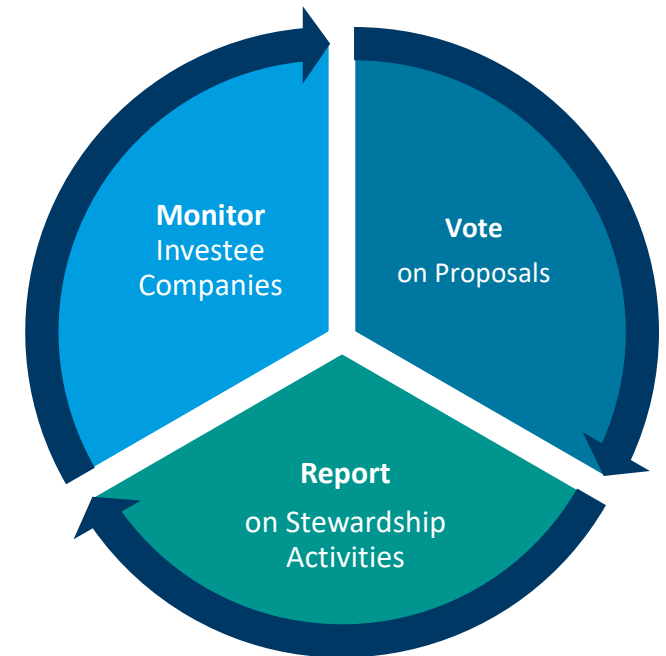
The importance of active ownership:

- Mercer believes stewardship (or active ownership) helps the realisation of **long-term shareholder value** by providing investors with an opportunity to enhance the value of companies and markets in a manner more consistent with long-term investor timeframes.
- We believe tracking manager voting activity, observing trends and engaging with manager when votes are not exercised in the best interests of the shareholder (or not exercised at all) is important for long term value creation.

Our Approach

- Mercer expects its appointed managers to monitor investee companies and to report on stewardship activities and outcomes in line with established best practice.
- We also monitor stewardship explicitly by seeking disclosure from managers, including through the annual manager engagement survey and third party provider of proxy voting reporting.
- We accept that managers may have detailed knowledge of both the governance and the operations of the investee companies and have therefore enabled managers to vote based on their own proxy-voting execution policy.
- In 2020 , GlassLewis was appointed to provide in-depth voting data. This report sets out detailed analysis of the voting activity of the Mercer equity fund portfolios over the period 1 January 2020 to 31 December 2020.
- For each fund, we have provided information in relation to the proposals voted, significant votes and proxy voting.

Further information on Mercer’s approach available in our [Sustainability Policy](#) and [Engagement Policy](#).



Annual Voting Report

Overview – Voting Statistics

Proposals Voted Summary

- Demonstrates the very high level of engagement by managers – at an aggregate level (across all segregated equity funds) 173,458 proposals voted on, across 8,914 meetings in 73 countries.
- Some proposals were **unvoted** – reasons include conflicts of interest, power of attorney markets (voting can only be carried out by an individual actually attending meeting) and share blocking markets (regulatory barriers to voting).
- In the table, **“Other”** includes mixed votes where managers may have voted differently across accounts.
- Votes **“For/Against Management”** assess how active managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur. The Portfolio Managers will use these results to inform their engagements with managers on their voting activities.

Proposal Voting Activity Per Topic

- Insight into the type of proposals that are most common and demonstrates the instances of votes taken against management.
- At an aggregate level (across all segregated Mercer equity funds) **board related proposals** represent 54% of total proposals voted, **audit** (14%) and **compensation** related proposals representing 12%. Shareholder Proposals (“SHP”) represented 2% of proposals.

Significant Votes

- With no official definition of what constitutes a significant vote, managers have adopted a variety of interpretations such as;
 - there is a particular interest in a specific vote relating to an issue,
 - the potential impact on financial outcome;
 - size of holding in the fund/mandate;
 - whether the vote was high-profile or controversial
- Mercer’s approach to determining significant votes will be guided by its Engagement Priorities (the current areas of focus are **Climate Change, Modern Slavery and Diversity & Inclusion**).
- The significant votes highlighted represent **shareholder proposals** (SHP) with specific focus on the priority areas, while taking into account the top 10 holdings across the funds.

Use of proxy advisors and vote execution

- Vast majority (87%) of managers use a proxy advisor – most commonly used are ISS, Broadridge and Glass Lewis.
- Majority of managers have an **internally developed voting policy** (61%), with those leveraging off the policies provided by proxy voting advisors, utilizing their ability to override proxy voting recommendations (31%).

Voting Activity – 1 Jan 2020 – 31 Dec 2020

Mercer Fundamental Indexation Global Equity CCF

Proposals Voted Summary

Vote Decision	Irish Life	
Total proposals	2,055	The majority of proposals voted against concerned Board-related matters .
For	83.6%	There were 109 proposals left unvoted , 59 of which concerned Board-related matters .
Against	8.6%	Just one proposal was abstained from, which also concerned Board-related matters .
Abstain	0.0%	
Unvoted	5.3%	
Other	2.5%	

With Management	87%
Against Management	13%

Proposal Voting Activity Per Topic



Significant Votes

Environmental

Shareholder Proposal Regarding Paris-Aligned Greenhouse Gas Emissions Reduction Targets RIO Tinto Ltd. **For**

Shareholder Proposal Regarding Environmental Impact Report iA Financial Corp **For**

Social

Shareholder Proposal Regarding Industry Association COVID-19 Advocacy Activities BHP Group Limited & BHP Group Plc **For**

Shareholder Proposal Regarding Use of Antibiotics Walmart Inc **For**

Governance

Shareholder Proposal Regarding Policy on Board and CEO Diversity Expeditors International Of Washington, Inc. **For**

Shareholder Proposal Regarding Report on Non-Management Employee Representation on the Board Microsoft Corporation **For**

Use of proxy advisors and vote execution

Vote Execution	Irish Life
Proxy advisor	ISS
In line with proxy advisors' policy with ability to override	Yes

Voting Activity – 1 Jan 2020 – 31 Dec 2020

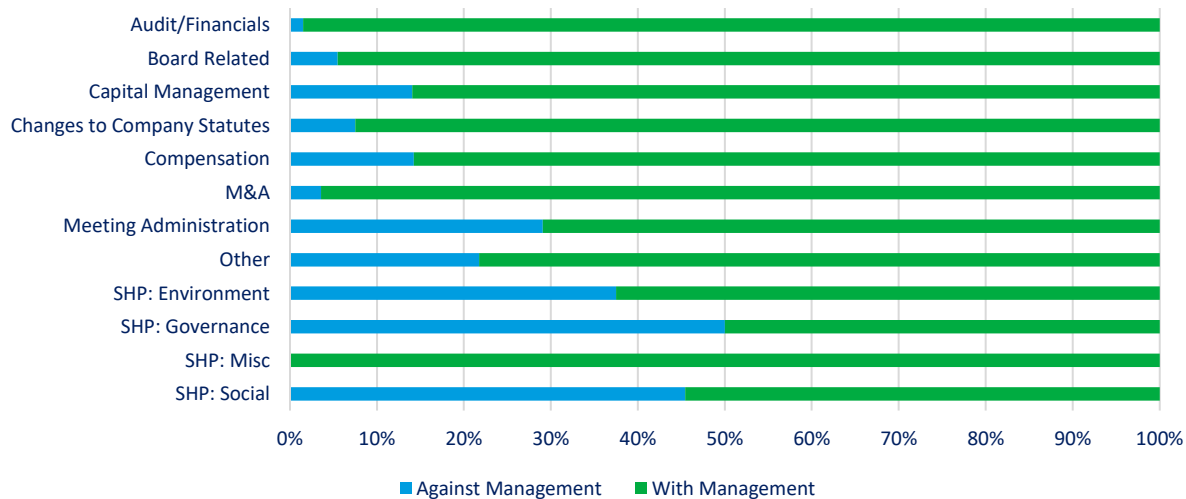
Mercer Global Small Cap Equity Fund

Proposals Voted Summary

Vote Decision	Fund	Arrowstreet	Baillie Gifford	KBI Global	Lazard
Total Proposal	8,157	3,935	617	2,772	833
For	90.5%	89.6%	91.1%	90.6%	94.0%
Against	6.2%	6.0%	4.7%	7.6%	3.6%
Abstain	0.9%	1.4%	0.6%	0.3%	0.6%
Unvoted	1.1%	1.0%	2.9%	1.0%	-
Other	1.3%	1.9%	0.6%	0.5%	1.8%
With Management	93%	92%	94%	92%	95%
Against Management	7%	8%	6%	8%	5%

73 proposals were **abstained** from, 30 of which Arrowstreet were responsible for.

Proposal Voting Activity Per Topic



Significant Votes

Environmental

Shareholder Proposal Regarding Deforestation and GHG Emissions Report	Bloomin Brands Inc	For
Shareholder Proposal Regarding phase out of oil and gas	Beach Energy Lrd	For

Social

Shareholder Proposal Regarding Human Rights Reporting <i>*Voted by Baillie Gifford</i>	Tesla	Against*
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Governance

Shareholder Proposal Regarding Management Diversity Report	IPG Photonics Corp	For
Shareholder Proposal Regarding Report on Risk of Discrimination in Vehicle Lending	Santander Consumer USA Holdings Inc	For

Use of proxy advisors and vote execution

Vote Execution	Arrow-street Capital	Baillie Gifford (Europe)	KBI Global Investors	Lazard Asset Management
Proxy advisor	ISS	None	ISS	None
In line with proxy advisors policy with ability to override	Yes	-	Yes	-

Voting Activity Review – 1 Jan 2020 – 31 Dec 2020

Mercer Low Volatility Equity Fund

Proposals Voted Summary

Vote Decision	Fund	Acadian	First Eagle	Kennox	Martingale	Veritas	Wellington
Total proposals	7,683	2,815	1,656	324	2,257	362	269
For	92.1%	90.3%	92.2%	92.9%	94.5%	90.6%	91.8%
Against	5.6%	5.9%	6.2%	7.1%	3.9%	8.0%	8.2%
Abstain	0.5%	0.5%	1.3%	-	-	0.3%	-
Unvoted	0.7%	1.8%	-	-	-	-	-
Other	1.1%	1.4%	0.4%	-	1.6%	1.1%	-
With Mgmt	93%	92%	96%	98%	92%	88%	92%
Against Mgmt	7%	8%	4%	2%	8%	12%	8%

Proposals concerning **Board-related matters** and Shareholder Proposals related to **Governance** were the most commonly voted **against** among managers.

There were 52 proposals **unvoted**, all of which Acadian were responsible for.

36 proposals were **abstained** from, the majority of which were related to **Board-related matters**.

Proposal Voting Activity Per Topic



Significant Votes

Environmental

Shareholder Proposal Regarding Aligning GHG Reductions with Paris Agreement	JPMorgan Chase & Co.	For
Shareholder Proposal Regarding Amending the Byelaws Concerning the Presentation of Climate Transition Reporting	Aena S.M.E. S.A.	For
Shareholder Proposal Regarding GHG Reduction Targets	Royal Dutch Shell Plc	For
Shareholder Proposal Regarding Presentation of Climate Transition Plan	Aena S.M.E. S.A.	For

Governance

Shareholder Proposal Regarding linking Executive Pay to Sustainability and Diversity	Alphabet	Split*
Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	7 Companies **	For

* Martingale & Veritas voted for and First Eagle voted against

**7 Companies includes Amazon.com Inc., American Express Co., Bank Of America Corp. Facebook Inc, Intel Corp. JPMorgan Chase & Co., & Wells Fargo & Co.

Use of proxy advisors and vote execution

Vote Execution	Acadian	First Eagle	Kennox	Martingale	Veritas	Wellington
Proxy advisor	ISS & GL	ISS	Broad Ridge	ISS	ISS	GL
In line with manager policy	-	-	Yes	-	Yes	Yes
In line with proxy advisors policy with ability to override	Yes	Yes	-	Yes	-	-

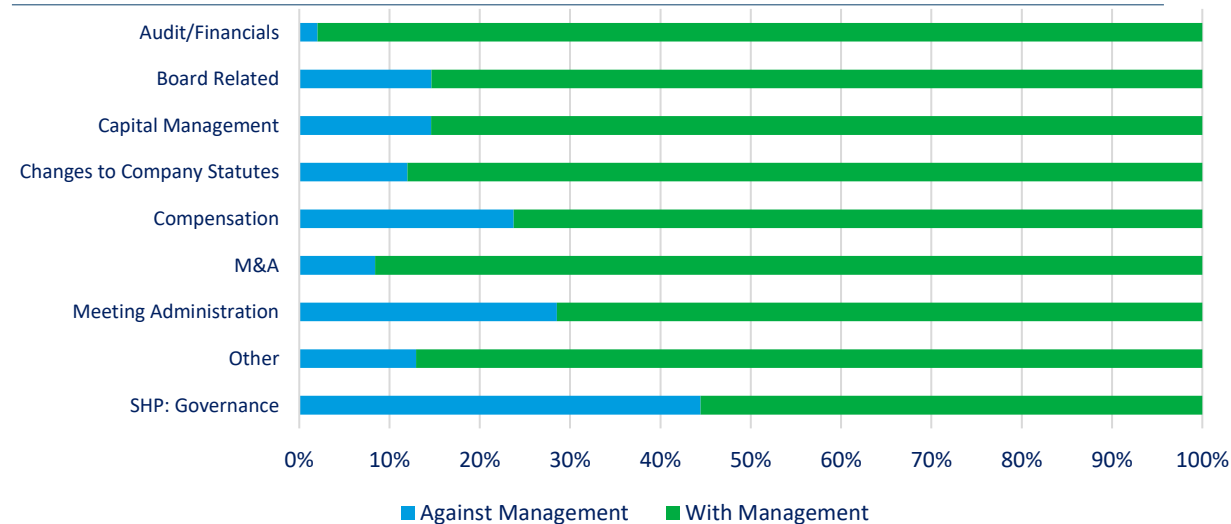
Voting Activity Review – 1 Jan 2020 – 31 Dec 2020

Mercer Passive Emerging Markets Equity Fund

Proposals Voted Summary

Vote Decision	Irish Life	
Total proposals	21,467	28% of the proposals voted in favour of were Board related . A further 19% of proposals voted in favour of were related to Capital Management (debt issuance)
For	84.6%	There were 334 left unvoted , of which over 50% related to issuers in China . 435 proposals were abstained from, 40% of which related to issuers in Saudi Arabia and 20% to issuers in the Philippines. Just under 50% concerned Board-related matters .
Against	11.7%	
Abstain	2.0%	
Unvoted	1.6%	
Other	0.1%	
With Mgmt	87%	
Against Mgmt	13%	

Proposal Voting Activity Per Topic



Significant Votes

Governance

Shareholder Proposal Regarding Amendments to Regulations of the Board of Directors (Article 30)	Magnit PJSC	For
Shareholder Proposal Regarding Amendments to Regulations of the Board of Directors (Article 35.1)	Magnit PJSC.	For

Use of proxy advisors and vote execution

Vote Execution	Irish Life
Proxy advisor	ISS
In line with proxy advisors policy with ability to override	Yes

Voting Activity Review – 1 Jan 2020 – 31 Dec 2020

Mercer Global Listed Infrastructure Fund

Proposals Voted Summary

Vote Decision	Fund	Colonial First State (Australia)	Magellan
Total proposals	680	424	256
For	88.5%	83.7%	96.5%
Against	8.8%	13.2%	1.6%
Abstain	2.4%	3.1%	1.2%
Unvoted	0.3%	-	0.8%
With Mgmt	89%	83%	99%
Against Mgmt	11%	17%	1%

Proposals concerning **Board-related and Environmental matters** were the most commonly voted **against** by Colonial and Magellan respectively.

There were two proposals left **unvoted** by Magellan, both of which concerned **Board-related** matters.

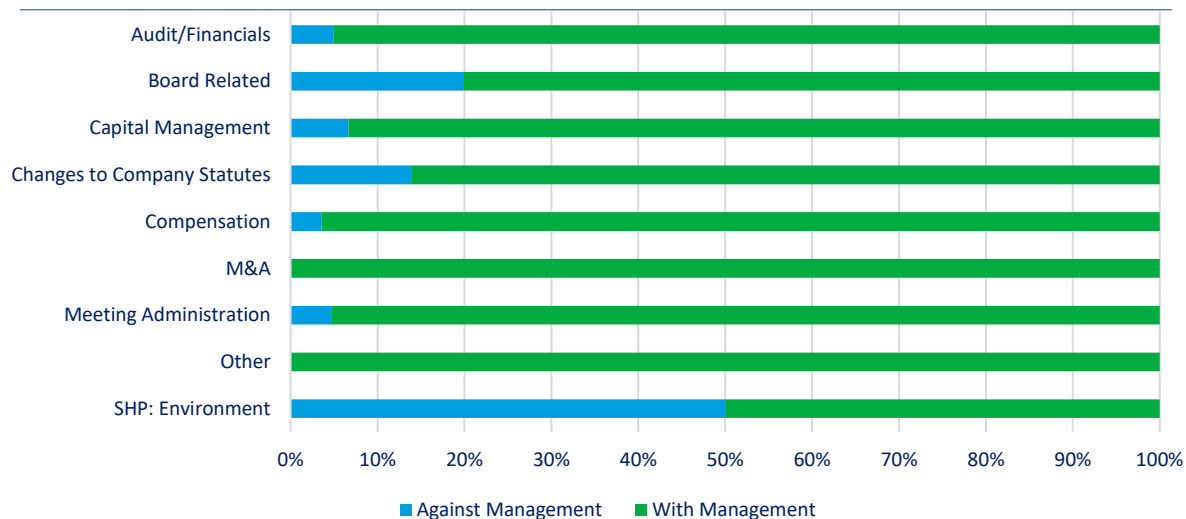
16 proposals were **abstained** from, 13 of which Colonial were responsible for.

Significant Votes

Environmental

Shareholder Proposal Regarding Amending the Byelaws Concerning the Presentation of Climate Transition Reporting	Aena S.M.E. S.A.	For
Shareholder Proposal Regarding Presentation of Climate Transition Plan	Aena S.M.E. S.A.	For

Proposal Voting Activity Per Topic



Use of proxy advisors and vote execution

Vote Execution	Colonial First State (Australia)	Magellan
Proxy advisor	Glass Lewis	Glass Lewis
In line with manager policy	-	Yes
In line with proxy advisors' policy with ability to override	Yes	-

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