

Raising your impact ambition

A case for impact investment



As the number, magnitude and urgency of the world's environmental, social and governance (ESG) problems grow, so the motivation for finding ways for “risk, return and the real world” to co-exist increases.

Impact investing goes some way to addressing this co-existence challenge by targeting the interconnections between investments and the effect they have on people's lives and our environment. Executed well, this approach can provide a diverse range of new investment opportunities.





Impact investing is an exciting and rapidly growing industry powered by investors who are determined to generate social and environmental impact as well as financial returns. This is taking place all over the world, and across all asset classes.¹



Investor capital, allocated to companies or assets, can have many negative social and environmental impacts, but this type of capital can also be used as an intentional, powerful tool for positive change. Impact investors choose to put capital to work to address pressing problems in the world. Impact investors connect the pursuit of risk-adjusted returns with the delivery of positive outcomes in the real economy and the wider world.

Impact investing is not new. The Global Impact Investing Network (GIIN), which provides assessment, monitoring and measurement guidance to investors, was established over a decade ago. Over the same period of time we, at Mercer, have helped many clients by providing advice on impact investing. However, today, we believe there are compelling reasons for a much broader range of investors to consider allocating capital to impact investments.

Systemic risks like climate change and growing social inequality, along with their associated economic impacts, have gained prominence since the launch of the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change in 2015. Most recently, the pandemic has further highlighted the widely recognized correlations between ESG issues and investment risk. In parallel, there are a growing number of effective strategies now being offered to institutional investors to help them access the benefits that can be delivered by impact investment.

We start this paper by defining what we mean by impact investing. We outline why we have seen burgeoning interest in this field from our clients. We then illustrate how investors are implementing different impact investment strategies. We finish by asking, what steps can investors take to raise their positive impact ambition?

¹ The Global Impact Investing Network, 2021, available at <https://thegiin.org/impact-investing/>.

What is impact investing?

Impact investments are “made with the intention to generate positive, measurable social and environmental impact, alongside a financial return.”² The intentions of impact investing are explicit and target outcomes in “underserved” areas.

Figure 1: The 17 Sustainable Development Goals



Source: UN Sustainable Development Goals. Mercer supports the Sustainable Development Goals.

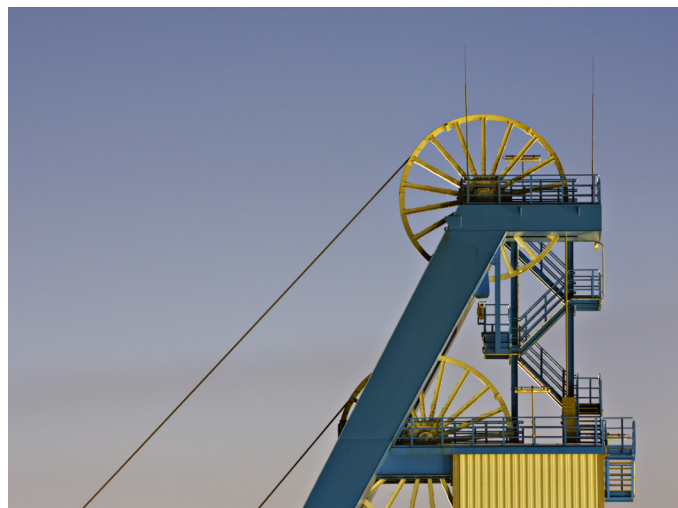
² GIIN, 2021, available at <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>.

Targeting underserved areas can refer to helping particular groups of people, such as meeting the basic needs of the “bottom billion,”³ or addressing critical environmental challenges, such as climate change, water scarcity or biodiversity. The 17 SDGs (and the 169 Key Performance Indicators that underpin the goals) provide a helpful guide to underserved areas. They also highlight the measures that are required to achieve the organization’s stated “people, planet and prosperity” objectives by 2030.⁴ The SDGs address the multiple connected global challenges we face, including those related to poverty, inequality, climate change and environmental degradation. The SDGs are the closest we have to a strategic plan to create a just and sustainable world — a plan for governments and civil society, but also for the private sector, companies and their investors.

Many of the world’s challenges are already part of the investment story for those investors who recognize that incorporating ESG factors into their thinking plays a critical role in managing risk and return outcomes. Recent research highlighting this issue includes:

- Our “Zero Places to Hide” response to the latest IPCC report on climate change science, potential warming scenarios and the implications of these issues for the immediate future.⁵
- Our latest “Biodiversity on the Brink” paper, which highlights our reliance on natural resources and the major related challenges that can no longer be ignored.⁶

Sustainability-themed investment is a well-established response to environmental challenges. It involves identifying return opportunities in those companies generating solutions to sustainability issues. Such investment allocations can be made across different asset classes. Impact investing shares similarities with sustainability-themed investing, with ESG integration



and active ownership fundamental to the implementation of both. However, while both share some common areas, impact investing goes further, incorporating additional considerations, which we believe can have more significant outcomes than other investment strategies.

Key elements of impact investment:

1. **Intentionality**

Intentionally contributes to positive social or environmental outcomes

2. **Measurability**

The intended social or environmental impact needs to be measured and reported on clearly and reliably

3. **Additionality**

Provides social and/or environmental benefits that would not have otherwise occurred without the investment.

³ UNSTATS, 2020, available at <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>.

⁴ UN SDGs, 2021, available at <https://www.un.org/sustainabledevelopment/why-the-sdgs-matter/>.

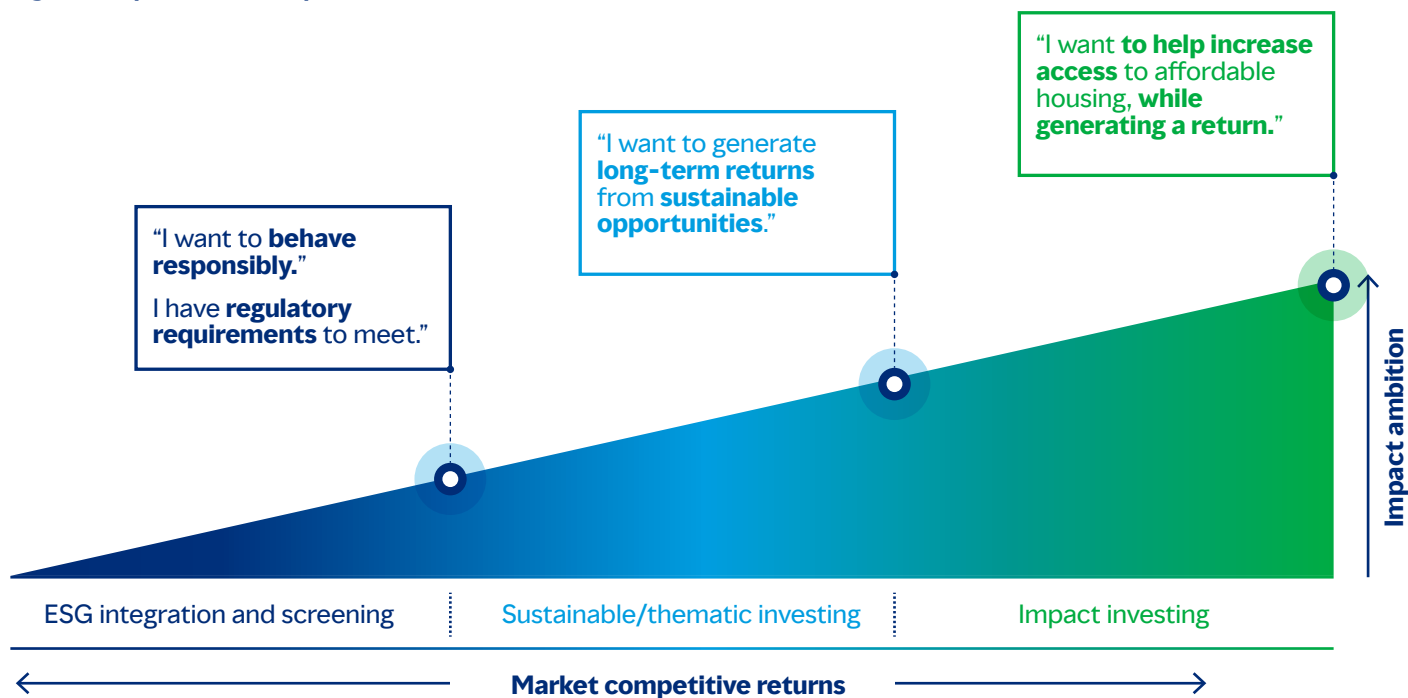
⁵ Mercer. “Zero Places to Hide,” 2021, available at www.mercer.com/our-thinking/wealth/zero-places-to-hide.html and the original IPCC AR6 report, 2021, available at www.ipcc.ch/reports/.

⁶ Mercer. “Biodiversity on the Brink,” 2021, available at https://insightcommunity.mercer.com/research/61034e76956fa7001d9138dc/Mercer_Biodiversity_on_the_brink.

We firmly believe that, when they are well executed, these elements reinforce an investor's ability to both generate the positive impact they are targeting, and to capitalize on the return potential of the impact investment they are pursuing. Applying an impact lens can also identify new opportunities that go beyond those usually targeted by an investor who takes a sustainability-themed approach. Therefore, while impact investing currently sits as a sub-set within the sustainable-investment universe, this does not tell the full story; nor should it be assumed that the current state of play will remain static.

Some investors may be willing to lower their expected level of return to focus specifically on effecting change in a particular impact area. However, for most investors this need not be the case. Later in this paper, we outline the growing impact investing opportunity set (which can be found across multiple asset classes). These opportunities are why we say investors should consider raising their impact ambitions for at least a part of their portfolios.

Figure 2: Spectrum of impact ambition



Source: Mercer



Impact investing applies additional lenses to the investment process, which means that it extends beyond the scope of most sustainability-themed strategies.

These lenses focus on:

- **Impactful products and services**, which are core to a business and not a side project. Impactful products and services are those designed to deliver outcomes that solve pressing problems for underserved stakeholders (including both people and the environment, locally or globally).
- **Systems-thinking**. This approach recognizes our reliance on social and environmental systems and highlights how these systems are linked to one another. It aims to truly integrate sustainability into the decision making process. Using this approach involves connecting system elements to identify root causes, understanding interconnectedness, generating multiple solutions and moving away from short-term fixes. For example, a systems thinking approach to renewable energy might favor solar panels or batteries designed for disassembly and refurbishment, to avoid resource waste and address second-order impacts.
- **Targeted outcomes and measurement**. Impact investment involves planning for a targeted effect, which should be measured from the outset. Impact investment plans should describe what new benefits will result directly from the additional capital or investment provided. In general, impact measurement isn't effective when it is done as an afterthought. However, while it is important to measure material outcomes and added benefits, there can be data gaps in some evolving areas. Missing metrics should not be a barrier to targeting valid outcomes.
- **Recognized sustainability frameworks**. These provide a common language to categorize various investment approaches and issues (e.g. investable themes or topics, metrics, and targets and impact outcomes). One example is provided by the SDGs. This type of consistency in communication is beneficial for all involved, including industry participants and stakeholders.

Why focus on impact investing?



Sustainability-themed investing, and the more targeted, intentional impact approach, are both gaining ground. This is because more and more investors realize that our economic systems are reliant on social and natural ecosystems that are in trouble. The World Economic Forum “Global Risks Report”⁷ provides an annual reminder of these fundamental interconnections, with social and environmental risks dominating survey results for a decade.

Experts in this subject area, whose research results have sent out warning signals for years, are finally seeing governments, civil society and companies and their investors compelled to take ESG issues seriously and act. Recent responses include: the European Commission, with its sustainable finance strategy implementation;⁸ the UK government’s commitment to an industry-led Impact Taskforce⁹ to advise the G7; and the Principle for Responsible Investment’s (PRI’s) support for “A Legal Framework for Impact”¹⁰ which calls on policymakers in 11 jurisdictions to encourage impact investing. These and other moves suggest that change is afoot.

Unfortunately, the UN’s 2020 progress report on its SDGs shows just how many social and environmental gaps and challenges remain.¹¹ Three billion people lack basic handwashing facilities at home and more than two billion individuals lack safe drinking water. More than a quarter of all people face moderate or severe food insecurity, yet we have allowed food waste to exceed 30% globally.¹² We waste over 90% of materials,¹³ depleting resources unsustainably,¹⁴ losing value and generating emissions. If we designed systems differently — with the resources we already have — imagine what could be achieved.

While sustainability-themed investments can allocate capital to solutions designed to help meet these challenges, the targeted nature of impact investing means that it has the potential to close a wider range of gaps in the SDGs (and also report more effectively on the contributions it makes to success).

⁷ World Economic Forum. “The Global Risks Report, 2021,” available at www.weforum.org/reports/the-global-risks-report-2021.

⁸ European Commission, 2021, available at https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en.

⁹ Gov.UK, July 2021, available at www.gov.uk/government/news/uk-backs-impact-investment-taskforce-as-road-to-pandemic-recovery.

¹⁰ Freshfields, Bruckhaus, Deringer, for the PRI. “A Legal Framework for Impact, 2021,” available at www.unpri.org/policy/a-legal-framework-for-impact.

¹¹ UNSTATS, 2020, available at <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>.

¹² United Nations. “The State of Food and Agriculture 2019. Moving forward on food loss and waste reduction. Rome,” available at <https://doi.org/10.4060/CA6030EN> [Link to UNEP].

¹³ Circle Economy. “The Circularity Gap Report, 2021,” available at www.circle-economy.com/

¹⁴ Overshoot Day, 2021, available at www.overshootday.org/.



It is in closing these gaps that we believe significant opportunities can be created for the future. Impact investment's opportunity set supports the argument for more investors to consider making these targeted, positive allocations (including investors looking for a market rate of return across relevant asset classes).

Looking at recent impact investment activity, the GIIN estimates that over 1,720 organizations managed US\$715 billion in impact investing as of December 2019.¹⁵ Of these organizations, 67% were targeting risk-adjusted, market-rate returns, while 88% had performance experiences that were outperforming or in line with expectations.¹⁶ A 2020 report focused on the Australian environment detailed even stronger results for performance expectations and outcomes, and reinforced the growth outlook for impact investing.¹⁷

Based on our management and research experience, and drawing on the significant number of sustainability-themed and impact investment strategies in Mercer's [MercerInsight®](#), proprietary database, we have confidence in the potential for these types of investment.

We believe that such strategies are a way to keep ahead of policy and technology developments, anticipate the best time for change, and deliver performance that better market benchmarks. Sector exposure differences in these portfolios can also provide a beneficial diversification of investment assets.

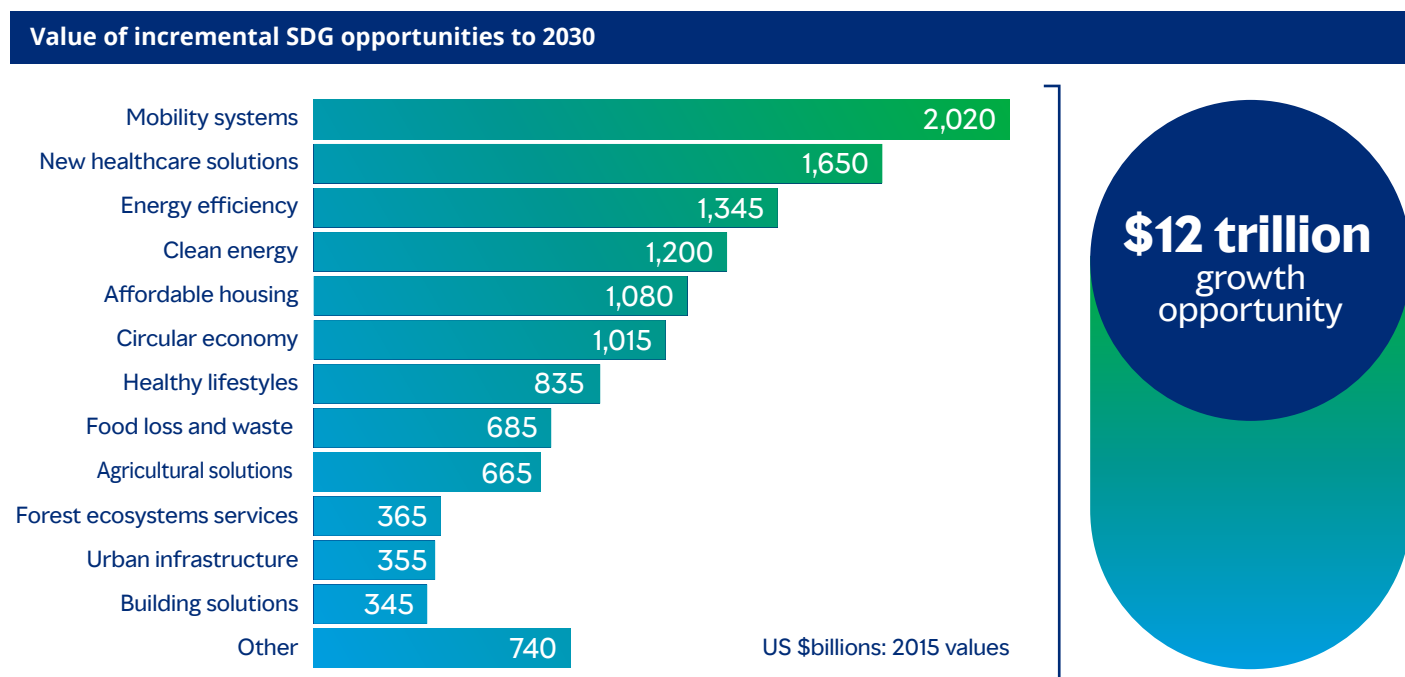
On a forward-looking basis, we know that the long list of social and environmental challenges facing the world present eye-wateringly large financing gaps. The UN Conference on Trade and Development estimates US\$5–7 trillion is required by 2030 to meet the SDGs.¹⁸ Some of these dollars will be provided by the public sector, but the private sector has a role to play in identifying the investable options within this vast opportunity set.

¹⁵ GIIN, 2019, available at <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>.

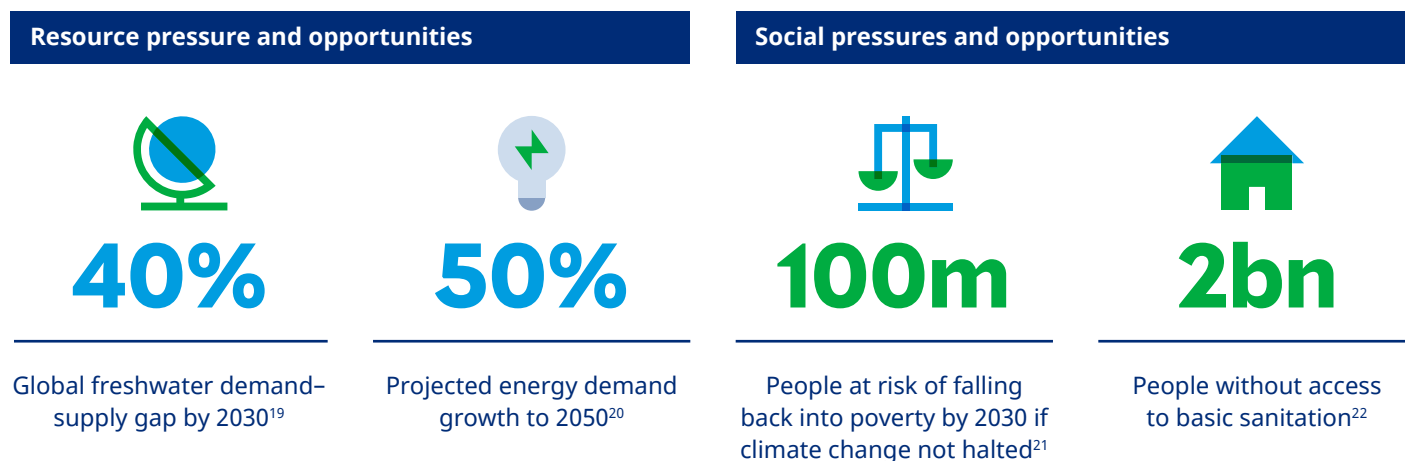
¹⁶ GIIN, 2019, available at <https://thegiin.org/impact-investing/need-to-know/#how-do-impact-investments-perform-financially>.

¹⁷ RIAA, "Benchmarking Impact, 2020," available at <https://responsibleinvestment.org/wp-content/uploads/2020/06/Benchmarking-Impact-2020-full-report.pdf>.

¹⁸ UNDP, August 2019, available at <https://sdgimpact.undp.org/fact.pdf>.

Figure 3: How big is the opportunity?

Source: Better Business Better World; The report of the Business and Sustainable Development Commission; 2017



¹⁹ World Bank Group, 2030 Water World Resources Group (WRG).

²⁰ US Energy Information Administration (EIA) 2019.

²¹ Business and Sustainable Development Commission (BSDC) 2017

²² World Health Organization (WHO).

How are impact investing approaches being implemented?

Investors typically approach an impact investment allocation with three key issues in mind: 1) Intention and themes to target; 2) Portfolio allocation and implementation options; 3) How outcomes will be measured and reported to different stakeholders.

Themes

There are many ways that themes or topics can be identified and prioritized by investors. We have identified those that we believe are key from an impact investment perspective, in both environmental and social categories (see Figure 4 and discussion below). For some investors, a diverse range of themes will be their preference, while others will only want to target specific themes important to them. Not all impact themes lend themselves to simple categorization — water is a good example, as it could easily sit under either an environmental or social heading. While we are making the investment case for these allocations, many investors and their stakeholders will also place an intrinsic moral value on contributing positively to society and the environment.

Under the environmental category, we have selected three themes. Each encompass a number of topics that are often connected. The themes are:

1. **Climate change** — this is a systemic risk that will impact every company and sector. It presents the challenge of transforming our economy from one addicted to fossil fuels to a low-carbon version powered by sustainable energy. This will require investment in many areas, including changing energy sources, improving energy efficiency, enhancing our built environment and improving our physical resilience to the effects of global warming.
2. **Healthy planet** — this captures the broader environment that comprises the world's lands, oceans and air, and highlights the importance of biodiversity and natural capital. Biodiversity loss is occurring globally at rates unprecedented in human history, and this will have dire implications for all the natural capital on which we rely. However, this issue presents many investment opportunities in areas such as sustainable agriculture and pollution prevention and control.
3. **Resource stewardship** — this is connected to all the environmental topics, but explicitly highlights the need to value and protect natural resources. It champions a perspective in which waste is recognized as a resource to be reclaimed and reused, and highlights the benefits of adopting circular models that design out waste, rather than continuing with the common linear take-make-dispose model. We all know the three Rs — Reduce, Reuse and Recycle — but this simple slogan can inform a vision for an abundant economy no longer facing shortages in critical resources.



Under the social category, the underlying topics fall into two key themes:

4. **Basic needs** — this theme is focused on people's fundamental requirements for affordable housing and staples. It also encompasses the increasingly important issues of financial and digital inclusion and sustainable transport. Those most impoverished in terms of these basic needs are often referred to as the bottom billion. An example of an innovation helping such people is provided by the millions of mobile payment accounts in sub-Saharan Africa. These offer access to finance that no traditional bank has provided. They are proving critical to poverty alleviation.
5. **Well-being and empowerment** — this includes education and health. It also encompasses the recognition that inclusion and equality (in all its forms) is required if the equality SDG is to be achieved. Action in this area targets gaps such as the education of girls, life-saving maternal healthcare, and equipping the next generation of entrepreneurs from disadvantaged backgrounds with the skills they need to succeed.

On Figure 4 on the next page, we have mapped these themes to the UN SDGs (and therefore to the metrics and targets underpinning each of these goals). Incidentally, we decided not to use the SDGs as an overarching thematic framework, since some of them are not directly investable and do not translate easily into products or services. Others are more relevant to the operations of a company generating indirect impacts, or are predominantly relevant at the country level, rather than representing a direct investment opportunity. Examples include SDG 16 (peace, justice and strong institutions) and SDG 17 (partnerships for the goals).

Figure 4: Key themes for impact investors to prioritize

Source: Mercer

The SDGs and their underlying metrics are valuable when it comes to targeting and measuring outcomes, but they don't exist in isolation. They were intended to be seen as a whole — both interdependent and connected. We encourage investors to be aware of the indirect links between them, especially when putting plans into action. For example, it is important to remember resource stewardship goals when delivering basic needs or enhancing well-being and empowerment (and vice versa). There are many different ways to illustrate this interconnectivity. Figure 5 on the next page shows the interdependency and relationships of the 17 SDGs, with the biosphere SDGs representing the “biophysical boundaries,” while peaceful, just and inclusive societies with strong institutions and global partnerships (SDGs 16, 17) represent the “social thresholds” needed for the human socio-economic space to thrive.

Figure 5: The “Doughnut Economics” view of the SDG connections





There may have been a time when it was possible to approach the goal of earning a financial return largely in isolation. However, financial and economic systems are part of wider social and natural ecosystems ... Financial and economic systems ... can both strengthen and undermine the systems on which they rely.

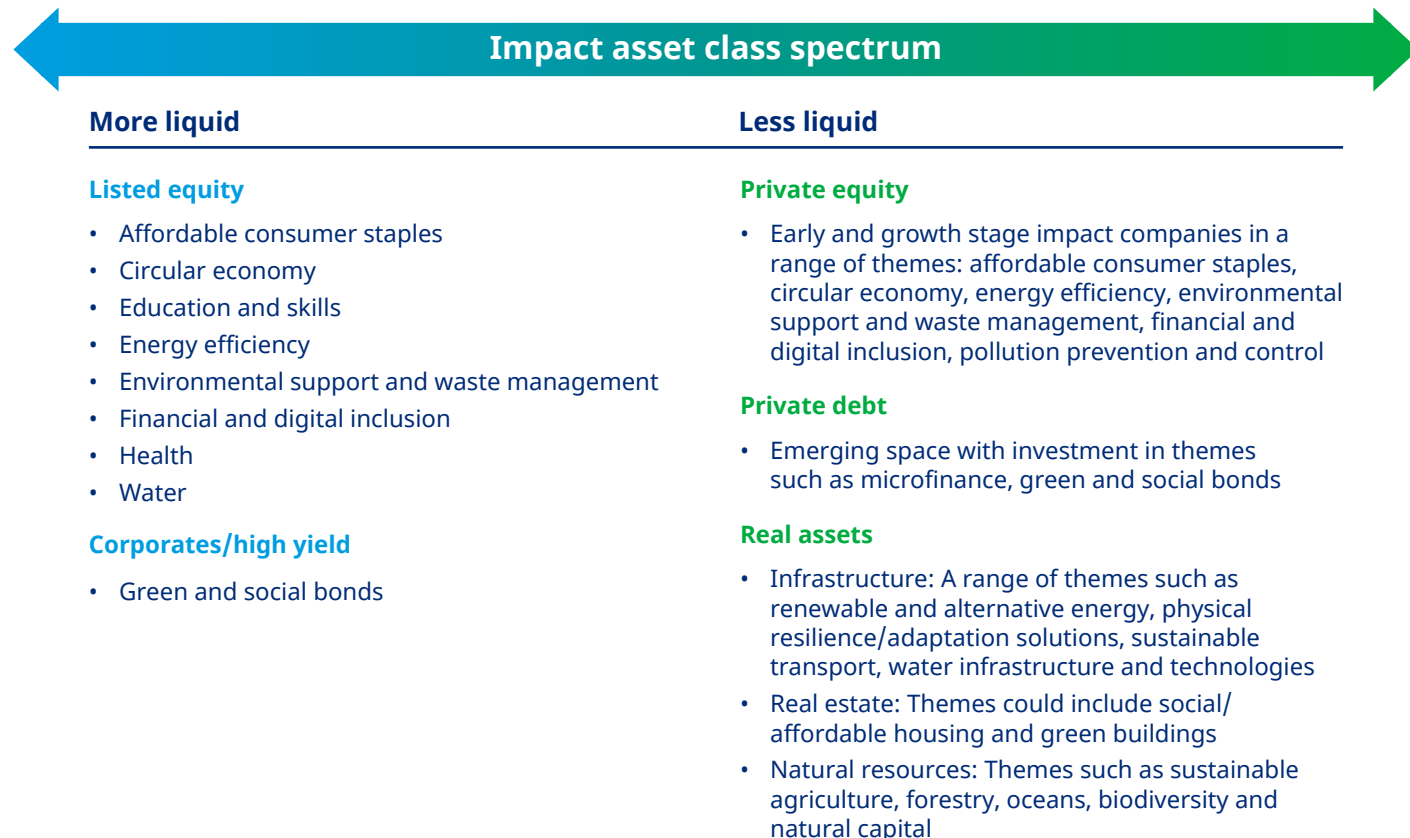
Source: A Legal Framework for Impact Report, PRI 2021



Portfolio allocation

There are several aspects that investors need to consider as part of the portfolio planning process. Governance capacity, return objectives, implementation options for different themes, but liquidity considerations are often key to deciding whether an allocation is possible in private asset classes, or only in public asset classes. We have outlined the broad approaches to both private and public implementation below. While we have clients successfully investing in both ways, it is worth acknowledging that, depending on an investor's precise impact objectives, it can often prove a challenge to achieve investment at scale at this point in time. We expect this will get easier in the future, as growing momentum and increasing investors' focus and innovation drives the development and mainstreaming of the impact investment approach.

Figure 6: Impact asset class spectrum



Source: Mercer, for illustrative purposes only

Private markets impact investment strategies

The asset classes most commonly associated with impact investing are private or unlisted equity, debt, infrastructure, real estate, timber and agriculture. Investing in impact through private markets brings several key benefits. These include:

- Investors have a greater ability to influence the way in which projects or assets are managed.
- It provides new capital to projects and opportunities that would have been unlikely to have been funded otherwise, and which may therefore not have occurred. This additional contribution can be referred to as creating “additionality.”

This is also an area rich with innovation. Historically, private debt has not been at the forefront of impact investing, but we are starting to see this asset class influencing outcomes. Some lenders are including financial incentives linked to ESG and impact targets within their loan agreements, for example, reducing the cost of borrowing should certain impact targets be met (for example, a borrower might be offered a reduction in the margin of their loan if they are able to demonstrate a reduction in their carbon emissions).



Case study #1 — Private equity

A private equity impact company

Many private equity impact managers focus on venture capital or growth-stage companies where proof of concept, breakthrough technology, and the rate of growth offer the greatest additionality. Managers can take a multi-theme approach or one that focuses on a particular topic (for example, the circular economy or sustainable agriculture) and then will allocate to multiple companies that fit their criteria. Below is one example of a company selected by a manager targeting sustainability opportunities across the food chain.

The company is in the area of environmentally safe pest management solutions, making farming more profitable and sustainable. Its approach targets three of the most serious agricultural pests affecting a wide range of crops, leaving the broader ecosystem, including beneficial insects and nearby wildlife, unharmed.

The company is closely aligned with SDG 2 (zero hunger). The company's continued growth in Africa and Asia has allowed it to save approximately 5.5 million acres of cropland from being treated with traditional chemical pesticides.



Public markets impact investment strategies

There is strong client interest in global, multi-themed publicly available impact strategies, which represent one of the most straightforward ways to replace an existing allocation with an impact approach.

For investments in listed asset classes, equity and debt, there is currently debate about whether the term “impact” can be applied in the same way. This is because these investments involve trading existing company shares or financial instruments, rather than adding new capital into the system. However, in the listed space “additionality” is still created through active ownership activities, while outcomes can still be measured and reported on the underlying companies in a portfolio.

Our view is that, to differentiate them from sustainability-themed strategies, listed equity strategies need to be explicit in their intentions, targeted outcomes and metrics. The need for this differentiation is even more important than it is with private markets or green bond allocations. NB: We are seeing new opportunities in green bonds, social bonds, sustainability-linked bonds, where it is transparent how the bond proceeds are allocated to particular social or environmental projects and additionality can be clearer to measure.

Compared to private markets, public markets can offer a way of generating a wider impact, for example, reaching more people and getting a greater number of sustainable products sold. This is due to the inherent scale of listed equity and corporate bond markets.

The broad spectrum of asset-class and strategy possibilities mirrors the varied financing needs of impactful companies, and provides significant diversification opportunities for impact investors. Note: diversification is an important component of the portfolio construction process, and it is important to target diversification through a number of metrics including asset classes, geography and themes.

Case study #2 — Global listed equity

A listed equity impact company

There is a growing number of globally listed equity impact funds that take a multi-theme approach across environmental and social categories. The themes they focus on are typically broad and can include areas such as healthcare and education, climate change, the base of the pyramid and empowerment.

Often they identify their “theory of change” or the ultimate impact goals they are targeting and how they expect to achieve them. Key components of their approach can include concepts such as measurability, additionality and materiality (i.e. whether the core products of the companies they invest in address impact themes). Many managers of such funds support the SDGs and map the relevant SDGs to the companies in their portfolios.

One example of a listed equity company selected by an impact manager is a company that provides education services to 850,000 students across 25 higher education institutions. These students earn a starting salary premium to market benchmarks ranged between 15% and 58% once they have graduated according to the company.

The company contributes to SDG 4 (quality education) as it ensures equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. It also substantially increases the number of youth and adults who have the relevant technical and vocational skills for employment, decent jobs and entrepreneurship.

Outcomes and reporting

Reporting is a resource-intensive part of impact investing. However, it is a key element of the process, as it is vital for investors to know that they are achieving their aims. Effective reporting also separates genuine impact strategies from those providers with clever marketing departments that are greenwashing and unfairly labeling their products as impact investments.

There are a growing number of global standards and approaches against which investors can measure the outcome of their impact investing. For example, the GIIN’s IRIS+ platform,²³ which is underpinned by the IRIS catalogue of metrics, is being used by a growing number of investors to measure, manage and optimize impact. As part of its wider remit, GIIN also collates and evaluates data from impact investors, and produces reports on the environmental and social outcomes of investment in various projects, such as housing and clean energy. In March, the Organisation for Economic Co-operation and Development (OECD) published its “impact standards” for assessing financial impact.²⁴ These act as a reference point

for investors to help them to guarantee a high level of accountability when investing in impact projects.

However, while there have been notable advances in standards and measurement tools, challenges remain. For example, there are relatively few mandatory reporting requirements and there can be discrepancies in methodologies. Furthermore, even where mandatory reporting requirements exist — such as the EU’s Sustainable Finance Reporting Directive and Non-Financial Disclosure Reporting — they lack detail and granularity in terms of what providers are required to report. And, as noted, investors need to beware disingenuous ESG labeling.

We encourage reporting at an underlying company/asset level consistent with the Impact Management Project’s Five Dimensions of Impact.²⁵ Globally, this is becoming a widely agreed and consistent framework among investment managers. This gives us the confidence in the impact intention and level of detail that an investment manager has adopted.

Figure 7: Five dimensions of impact

Impact dimension	Impact questions each dimension seeks to answer
What	<ul style="list-style-type: none">What outcome is occurring in the period?Is the outcome positive or negative?How important is the outcome to the people (or planet) experiencing them
Who	<ul style="list-style-type: none">Who experiences the outcome?How underserved are the affected stakeholders in relation to the outcome?
How much	<ul style="list-style-type: none">How much of the outcome is occurring — across scale, depth and duration?
Contribution	<ul style="list-style-type: none">Would this change likely have happened anyway?
Risk	<ul style="list-style-type: none">What is the risk to the people and planet that impact does not occur as expected

Source: Impact Management Project

²³ IRIS. GIIN, 2021, available at <https://iris.thegiin.org/>.
²⁴ OECD. “Financing Sustainable Development, 2021,” available at www.oecd.org/dac/financing-sustainable-development/development-finance-topics/social-impact-investment-initiative.htm.
²⁵ Impact Management Project. “Five Dimensions of Impact, 2021,” available at <https://impactmanagementproject.com/impact-management/impact-management-norms/>.

Using frameworks and metrics that embed the Five Dimensions of Impact and SDGs (such as the IRIS+ framework and IRIS catalogue of metrics mentioned above) can be a powerful way to robustly report impact in a consistent manner to a range of stakeholders.

Once bottom-up impact measurement has taken place it is important to aggregate it so that investors can understand the impact at both the fund and portfolio level. The quality of reporting can also be enhanced by having clarity from the outset on the key metrics being measured and their links to the SDGs. A growing number of investors are using impact reporting as a means to engage their beneficiaries. Below we highlight a number of live impact metrics across both public and private client portfolios.

Figure 8: Examples of measuring and reporting outcomes



Source: Mercer, for illustrative purposes only. Mercer supports the Sustainable Development Goals.

Next steps to plan your own path



We recommend investors start with reviewing their:

- **Impact ambition** — the expectations of the investment committee, organization and stakeholders.
- **Current exposure** to themes or new opportunity potential across asset classes.
- **Potential for reporting** on impact outcomes.

We believe impact investing has huge potential to deliver positive outcomes for society and the environment. We also believe there has never been more incentive for investors to use their influence to do so.

Where before there were obstacles to measuring and assessing investment in impact projects, today's advances in standards, technology and reporting mean it is now easier than ever to determine effective outcomes.

Implementation is certainly not yet as straightforward as it is for many other investment allocations, given the additional thresholds that investments are expected to make to meet impact investing criteria. However, there are a steadily increasing number of asset classes and financial instruments through which investors can access impact investments. These can be used to diversify portfolios, while also providing new growth opportunities.

How can you achieve your investment objectives and raise your impact ambition?

As governments increasingly turn their attention to meeting the UN's SDGs and the goals of the Paris Agreement on Climate Change, there will be a growing number of impact investment opportunities coming online. This suggests that now is the right time to consider an allocation in this area. We are working with a growing number of investors to help them allocate more of their portfolios to investments that make a meaningful difference to the planet, to people and to each investor's overall returns. If you would like to find out more, please contact your Mercer consultant or email us at mercerinvestmentsolutions@mercer.com.

For more information, please visit:

<https://www.mercer.com/investing-sustainably.html>.

Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies. © 2021 Mercer LLC. All rights reserved.

This content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity without Mercer's prior written permission. The opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Funds of private capital funds are available to sophisticated investors only who are accredited investors and qualified purchasers. Mercer does not provide tax or legal advice. You should contact your tax advisor, accountant and/or attorney before making any decisions with tax or legal implications. This does not constitute an offer to purchase or sell any securities. For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest. This does not contain investment advice relating to your particular circumstances. No investment decision should be made based on this information without first obtaining appropriate professional advice and considering your circumstances. Mercer provides recommendations based on the particular client's circumstances, investment objectives and needs. As such, investment results will vary, and actual results may differ materially. Information contained herein may have been obtained from a range of third-party sources. Although the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages) for any error, omission or inaccuracy in the data supplied by any third party. The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed.

The assets under management data (the AUM Data) reported here include aggregated assets for which Mercer Investments LLC (Mercer Investments) and their global affiliates provide discretionary investment management services as of the dates indicated. The AUM Data reported here may differ from regulatory assets under management reported in the Form ADV for Mercer Investments. For regulatory assets under management, please see the Form ADV for Mercer Investments, which is available upon request by contacting Compliance Department, Mercer Investments 99 High Street, Boston, MA 02110.

Not all services mentioned are available in all jurisdictions. Please contact your Mercer representative for more information.

Investment management and advisory services for US clients are provided by Mercer Investments LLC (Mercer Investments). Mercer Investments LLC is registered to do business as "Mercer Investment Advisers LLC" in the following states: Arizona, California, Florida, Illinois, Kentucky, New Jersey, North Carolina, Oklahoma, Pennsylvania, Texas and West Virginia; as "Mercer Investments LLC (Delaware)" in Georgia; as "Mercer Investments LLC of Delaware" in Louisiana; and "Mercer Investments LLC, a limited liability company of Delaware" in Oregon. Mercer Investments LLC is a federally registered investment adviser under the Investment Advisers Act of 1940, as amended. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Mercer Investments' Form ADV Parts 2A and 2B can be obtained by written request directed to: Compliance Department, Mercer Investments, 99 High Street, Boston, MA 02110.

Certain regulated services in Europe are provided by Mercer Global Investments Europe Limited and Mercer Limited.

Mercer Global Investments Europe Limited and Mercer Limited are regulated by the Central Bank of Ireland under the European Union (Markets in Financial Instruments) Regulation 2017, as an investment firm. Registered officer: Charlotte House, Charlemont Street, Dublin 2, Ireland. Registered in Ireland No. 416688. Mercer Limited is authorized and regulated by the Financial Conduct Authority. Registered in England and Wales No. 984275. Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU.

Investment management services for Canadian investors are provided by Mercer Global Investments Canada Limited. Investment consulting services for Canadian investors are provided by Mercer (Canada) Limited.

ESG investing refers to environmental, social and governance considerations that may have a material impact on financial performance and are therefore taken into account, alongside other economic and financial metrics, in assessing the risk and return potential of an investment. Thematic investing involves investing with a goal, at least in part, to achieve an impact on an environmental, social or governance issue alongside generating return and mitigating risk.

Under the Employee Retirement Income Security Act in the United States (ERISA), the decision to invest in ESG-themed options for ERISA plans, like all options, must be in the best financial interest of the plan and its participants. ESG thematic investing may be subject to greater scrutiny; for example, its inclusion in an ERISA plan may trigger a heightened level of review of various objective criteria across all investment options. Active ownership efforts should be considered in light of the cost versus benefit to the plan of engaging in such efforts. Clients are encouraged to consult with ERISA counsel regarding responsible investing.