Dear Mr Portalatin,

**Open letter to Julio Portalatin,**
**President & CEO, Mercer.**

**Can Mercer 'afford to ignore' its failure to provide climate leadership?**

I am writing to you about the leadership your firm shows on climate change. As you know, the Task Force on Climate-related Financial Disclosures (TCFD) has carefully calibrated its asks to take account of corporate and investor concerns. Many independent commentators have said TCFD did not go far enough (e.g. by supporting voluntary rather than mandatory reporting) but the task force was keen to ensure widespread buy in from the for-profit world. The hope was, in the words of TCFD's Chair Michael Bloomberg, "We can start the process of making markets more efficient, economies more stable and businesses more resilient to systemic risks like climate change." As you know, Mercer has been at the heart of the TCFD process since it was launched. Your ESG team is well known for playing a very positive role in this and other climate related investor projects, building significant credibility for the organisation through its expertise and policy leadership since it was formed in 2004. This is a credit to your leadership.

At the Davos World Economic Forum (WEF) your parent company (Marsh & McLennan) produced the global risk report. It set out in no uncertain terms that "environmental risks dominate the Global Risk Perception Survey for the second year running", with all five environmental risks appearing – for the first time – in the top quadrant for impact and likelihood, highlighting that there is a growing level of awareness around the impacts that environmental risks can have on businesses and economies.

In light of the above, we find it very hard to understand why, when TCFD's final report was launched in June last year, your endorsement was missing. As you will know, other US CEOs did not hold back their support. And in spite of a change in its criteria for support – removing the requirement for CEO responsibility sign-off – we note that Mercer's support is still missing.

We raise this issue in the context that the US corporate and investment world has lagged and continues to lag global peers on climate. For example, of the ten largest investment consultants in the world only one – Willis Towers Watson – has signed up to the TCFD's recommendations. In fact, there appears to be less climate advocacy amongst investment consultancies compared with the top ten largest investment management firms – with six of the top ten largest by AUM now signed up to TCFD.

The failure to recognise the risks posed by climate is endemic in corporate America – just 6% of directors think climate change is material – and predates the current Administration. Corporate fence sitting has helped to create the context where vested interests have been able to define the Republican Party's position on climate and thus polarise the public debate.

Hence, we are writing to you to ask 2 things:

1. Ensure that Mercer publicly endorses TCFD, and encourage your colleagues at Marsh & McLennan to do the same. The longer that this does not happen, the greater the risk that both organisations will be viewed as engaging in corporate hypocrisy – gaining the benefits of involvement in climate projects from specialist teams but corporately sitting on the fence.

2. Investigate and share, at least with your own staff and your clients, why your firm has found it so hard to sign up despite your public profile on this issue. No doubt there will be factors that others need to act on, e.g. weak signals from even your climate aware clients, and which this investigation could usefully document. As we have highlighted above, corporate America is struggling with the same issues and this could, arguably, be your biggest contribution yet to the sustainability debate.

As you know much better than I, investment consultants are very influential and able to substantially sway the opinions of fund managers and asset owners alike, especially in markets like the USA. As your strapline says, you do influence “the lives of more than 110 million every day”. That is why I am writing to the CEOs of the ten largest consultancies to challenge you and your fellow CEOs to take your share of responsibility for addressing the major systemic risks posed by the climate crisis. Even for those firms who have "pockets of ESG excellence" – as you do – this is not enough. Consultants must support the changes we need to see in market structures and industry norms and TCFD is the obvious example. Without this, we will not address climate change in time. It was encouraging to see Mercer as one of just twelve investment consultant signatories to the UKSIF’s joint statement supporting the UK Pensions Regulator’s latest guidance aimed at addressing the risks around long-term sustainability, including environmental, social and governance issues. With clients that have fiduciary responsibilities for being long-term and demonstrating inter-generational equity, Mercer must do its bit to ensure the transition to a low carbon economy is as orderly as possible.

To conclude, I would remind you of the very helpful report Mercer published in June 2017, to coincide with the TCFD’s publication, entitled *Climate Risk – Can you afford to ignore it?* Mercer, itself, cannot afford to ignore its leadership role. Not to sign sends signals to fund managers and others, and we therefore hope you will take immediate corrective action.

Yours sincerely

David Murray, Chief Executive, Preventable Surprises