MERCER

sustainable investment policy

Mercer Superannuation (Australia) Limited
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welcome to brighter

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01/Policy Scope and Key Principles.

Mercer Superannuation (Australia) Limited (MSAL) is the trustee of the Mercer Super Trust, Mercer Portfolio Service Superannuation Plan, and the Mercer Superannuation Investment Trust, collectively known as the Trusts.
In its capacity as trustee, MSAL has appointed Mercer Investments Australia Limited (MIAL) to act as the primary implemented consultant for the Trusts. MSAL and MIAL are wholly owned subsidiaries of Mercer (Australia) Pty Ltd, which is part of the Mercer group of companies (referred to collectively as 'Mercer', 'we' or 'us').

This policy provides an overview of MSAL's principles and policies governing sustainable investment as it relates to the MIAL managed investment options of the Trusts. Any references to 'the Trustee' throughout this document should be taken as references to MSAL. This policy is intended to cover the relevant requirements of the Superannuation Industry Supervision (SIS) Act and Superannuation Prudential Standard 530 (SPS 530).

This policy forms part of the investment governance frameworks for the Trusts and should be read in that context. Please refer to this policy for Mercer's key principles and overarching approach to the following components:

1. Environmental, Social and Corporate Governance (ESG) factors
2. Sustainability themes and a broader perspective on risk
3. Climate change
4. Active ownership
5. Exclusions

MIAL does not typically directly select investments; instead it combines specialist investment managers into portfolios. This policy sets out how MIAL will implement Mercer's investment beliefs on sustainable investment within the investments it manages. In implementing this policy Mercer commits to clear communication of the policy and transparency in reporting on implementation activities to stakeholders. activities to stakeholders.

Our Approach.

Mercer, through its global investment consulting business, has advised investors on all aspects of responsible investment (RI) since 2004, and this experience informs the approach taken by the Chief Investment Officer (CIO) of Mercer today, supported by Australian-based and global members of the RI team.

Mercer articulates its approach in its global investments beliefs. These beliefs support Mercer's commitment to the Principles for Responsible Investment (PRI) and recognise the international and regional guidance on stewardship. Mercer's ***Investing in a Time of Climate Change*** report and its Sequel ***Investing in a Time of Climate Change – The Sequel***, the **Paris Agreement** on Climate Change; and frameworks such as the **Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)** and the United Nations **Sustainable Development Goals** inform Mercer's investment beliefs and approach.

Our Beliefs.

Mercer believes a sustainable investment approach is more likely to create and preserve long-term investment capital and, more specifically, that:

1. **ESG** factors can have a material impact on long-term risk and return outcomes and these should be integrated into the investment process.
2. **Taking a broader and longer-term perspective on risk**, including identifying sustainability themes and trends, is likely to lead to improved risk management and new investment opportunities.
3. **Climate change poses a systemic risk**, and investors should consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes.
4. **Stewardship** (or active ownership) supports the realisation of long-term shareholder value by providing investors with an opportunity to enhance the value of companies and markets.

Consequently, Mercer believes that a sustainable investment approach that considers these risks and opportunities is in the best interests of our investors.

02/ESG Integration

MIAL expects its investment managers to assess and reflect ESG risks and opportunities in security or asset selection and portfolio construction, acknowledging that the degree of relevance or materiality varies between asset classes. Examples of ESG factors include:

Table 1. ESG Factors

Environmental	Social	Governance
Climate change	Health and safety	Board structure, diversity and independence
Water	Labour standards (including in the supply chain)	Remuneration that is aligned with performance
Waste and pollution	Human rights and community impacts	Accounting and audit quality
Biodiversity	Demographics / consumption	Anti-bribery and corruption

Selection and monitoring processes for potential and appointed investment managers include Mercer's ESG Ratings and associated commentary from the Manager Research team (see Appendix for further detail). ESG Ratings are reviewed during quarterly monitoring processes, with a more comprehensive review performed annually — which seeks evidence of positive momentum on ESG integration. Expectations are set as ESG3 or above, where practicable and relevant to the strategy (with ESG1 being the highest rating and ESG4 being the lowest), as per the investment team's established guidance by asset class. Comparisons are also made with the appropriate universe of strategies in Mercer's global database.

03/Sustainability Themes

Mercer believes that including some exposure to investment managers that identify longer-term environmental and social themes and trends, and the companies delivering solutions to the environmental and social challenges we face is likely to lead to improved risk management and new investment opportunities. In addition to 'pure-play' allocations to clean energy, water, timber or agriculture, this can include 'broad sustainability' allocations to companies providing sustainable goods and services in environmental matters or social areas such as health and education. MIAL's selection and monitoring processes for potential and appointed investment managers increasingly consider these exposures in portfolio construction decisions.

Mercer recognises there are significant developments underway in how investors approach sustainability. Most notably, the 17 United Nations Sustainable Development Goals (the SDGs) and the underlying metrics for each goal to be achieved by 2030. The SDGs address interconnected global challenges, including those related to poverty, inequality, climate change, environmental degradation, prosperity, and peace and justice. The framework can be utilised by the public and private sectors to align their activities with particular themes and measure positive contributions or impacts. MIAL is already utilising the SDGs for identifying themes and measuring impacts in some of its sustainability or socially responsible labelled portfolios. There are different tools available for listed and unlisted equities and real assets. As the alignment and measurement tools continue to improve, we expect to evolve our approach and reporting capabilities both internally and with our investors in this area.

Applicable Asset Classes – ESG and Sustainability
Mercer believes that ESG factors can be applied across asset classes including, listed equities (active and passive), sovereign and corporate bonds, property, infrastructure and unlisted assets.
However, we acknowledge that the degree of relevance, or materiality, varies as does the current state of integration by strategies between asset classes. Sustainability themed strategies are more prevalent in equities and real assets (timber, agriculture, infrastructure) but less so in other asset classes.
These considerations, summarised in Table 2, inform the expectations for investment managers in MIAL's selection and monitoring processes.

Table 2. ESG and Sustainability by Asset Class

	Manager Progress on ESG Integration*	Availability of Sustainability Themed Strategies **
Public Equity (Active)	Medium/High	Low/Medium
Fixed Income	Low/Medium	Low
Real Estate	Medium/High	Low
Private Equity and Debt	Medium	Low/Medium
Infrastructure	High	Medium/High
Natural Resources***	Medium	Medium/High
Hedge Funds	Low	Low

Note: Low: <5%; Low/Medium: 5-10%; Medium: 11-20%; Medium/High: 21-40%; High: >40% (As at April 2018),

* Refers to the percent distribution of ESG1 and 2 rated strategies in GIMD, where available.

** Refers to the percent distribution of sustainability themed strategies compared to mainstream by asset class – noting equities is a large universe so the low relative number is not actually a low absolute number.

***Conservative view - research updates in this asset class may result in a more favourable view than is currently held.

04/Climate Change

Mercer believes climate change poses a systemic risk, with financial impacts driven by two key sources of change. The first is the physical damages expected from an increase in average global temperatures, and the second is the associated transition to a low-carbon economy. Each of these changes presents both risks and opportunities to investors, as outlined in ***Mercer's Investing in a Time of Climate Change*** reports.

MIAL considers these potential financial impacts at a diversified portfolio level, in portfolio construction within asset classes, and in investment manager selection and monitoring processes. Together with ongoing research, the potential financial impacts of climate change are included in MIAL's modelling estimates under multiple climate scenarios for physical damage and transition risk factors (as per the latest Investing in a Time of Climate Change report). At the investment manager level, MIAL expects that climate change risk assessment and risk reduction are integrated within a manager's approach to ESG, along with consideration of sustainability themes and active ownership activities.

MIAL believes that limiting global average temperature increases this century to 'well below 2°C', as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors. MIAL therefore participates in collaborative industry engagements to support this end goal, and will seek to increasingly align portfolios with that objective where this is also consistent with meeting stated investment objectives.

MIAL's approach to climate-related financial risks and opportunities is summarised below consistent with the framework recommended in 2017 by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Disclosure consistent with the TCFD recommendations are also expected of appointed investment managers.

In summary, MIAL takes the following approach to the TCFD framework's four elements for managing climate-related financial risks:

- **Governance:** MIAL and its management team have oversight of the approach to climate-related risks and opportunities. The MIAL board oversees compliance with this policy through annual reporting from management to the MIAL board.
- **Strategy:** Climate-related scenario analysis is undertaken as part of strategy reviews on the diversified Mercer options. Portfolio construction within asset classes is undertaken with a consideration of climate-related risks and opportunities under different climate scenarios.
- **Risk Management:** Consideration is given to risk reduction strategies to decarbonise the portfolio and identify new low-carbon opportunities include adding exposure to sustainability- themed investment managers and reviewing passively managed index exposures. In addition, Mercer participates in industry wide engagements where appropriate.
- **Targets/Metrics:** Metrics, such as carbon footprinting, are employed to review carbon policy risk relative to benchmark for listed equities exposures and to enable engagement with investment managers on the results. MIAL expects the metrics and targets for carbon intensity and other measures of climate change risk to evolve across asset classes as data becomes increasingly available and reliable.

Applicable Asset Classes – Climate Change
As per the systemic risk comments above and Mercer's Investing in a Time of Climate Change reports, MIAL's current view is that climate change risks are applicable, to varying degrees, across all asset classes. Initial activity has focused on listed equities, active and passive, and sustainability-themed private markets investments; however, all asset classes are being reviewed. As climate change expertise continues to evolve, we will review and update our views and approaches accordingly.

05/Active Ownership – Share Voting and Engagement.

Mercer believes that stewardship, or active ownership, helps the realisation of long-term investor value by providing an opportunity to enhance the value of companies and markets through voting and engagement.

MIAL is a long-term institutional investor and 'universal owner' and for these reasons MIAL regards investment governance and active ownership of particular importance in serving the interests of our investors. MIAL's investment governance approach has four main components:

- **Share voting** - Shares are voted in a manner that is deemed most likely to protect and enhance the long-term value of a security as an asset to the portfolio; and MIAL aims to vote all shares at all companies for all company resolutions, unless there is a qualification or exception (as outlined further below);
- **Engagement** – Engagement may be undertaken with companies via investment managers, collaborative initiatives and / or directly to enhance the long-term value of the company in the portfolio.
- **Public policy participation** – Engagement may be undertaken with regulators, and sometimes with governments, to recommend changes or express views on proposed changes to regulatory regimes where this is deemed important to protect the rights, and enhance the interests, of MIAL investors.
- **Disclosure** - Voting records are maintained and voting statistics are published on the Mercer website, on a six-monthly basis. Reporting to investors on voting and engagement activity at least annually.

Share Voting

Mercer regards voting its shares as important to our fiduciary responsibility. A vote is a visible and concrete expression of what may have been expressed in private discussion with the company's Board or management either via our agents (investment managers) or directly with MIAL management (refer to engagement section below). Voting is also an effective way for MIAL and other investors to publicly express views on what a company is doing, and where a company may need to change.

As part of its outsourced investment model, Mercer outsources proxy voting responsibility to its listed equity investment managers. MIAL carefully evaluates each manager's capability in ESG engagement and proxy voting as part of the investment manager selection process, to ensure it is representing Mercer's commitment to good governance, sustainable investment and long-term value creation.

Taking a 'Super Vote'
At all company meetings, Mercer has the authority to direct a single vote or 'Super Vote' which overrides the manager votes on any resolution in circumstances where Mercer believes consistency on a significant matter is necessary. Ultimately the decision to undertake a 'Super Vote' is based on MIAL view of the long-term interests of its investors. In determining such votes, MIAL will consult its proxy voting advisor's position, its managers, and consider best practice guidelines and information on governance standards from organisations such as the Australian Stock Exchange, the Financial Services Council (FSC) and the International Corporate Governance Network (ICGN).

Vote Exceptions
Mercer's objective is to vote on all shares in its portfolio both domestic and international with the following qualifications and exceptions.

Share blocking markets: there are some markets that place regulatory barriers to voting usually in the form of limitations on trading of shares if a vote is enacted. Mercer will seek to vote in these markets, however voting may be limited, and Mercer accepts that it may not vote in some or all of these markets.

Securities lending: MIAL operates a Securities Lending Program for the benefit of investors. Securities lending is when securities are loaned to third parties in order to earn additional investment returns.

In instances where a vote is considered to be "sensitive" , MIAL will endeavour to follow the recommendations for international best practice in this area set out in the International Corporate Governance Network (ICGN) guidance on Securities Lending. This includes having processes in place for recalling shares on loan anytime a "sensitive" vote is identified. In instances where this is not possible, MIAL will instruct the lending agent how it wishes its lent shares to be voted, noting that these instructions may only be implemented on a best endeavours basis.

Whilst MIAL will have processes in place to recall the shares out on loan for "sensitive" votes, the voting of these stocks may not always be possible. This is due to the fact that stocks must be recalled before the record date declared by the company and there may be instances where a vote is only deemed "sensitive" after the record date.

In order to continue to vote across the vast majority of resolutions, MIAL will only lend a maximum of 90% of the value of its holdings in any company.

Securities Lending Collateral: MIAL stock lending program is a fully collateralised program, managed and implemented by an external Securities Lending Agent. Collateral posted by borrowers is held by Mercer's Custodian or a sub-agent in a segregated account. MIAL would not expect to ever take receipt of these securities, or vote on them. Collateral is therefore not governed by MIAL's Sustainable Investment Policy and is not guaranteed to adhere to the exclusions detailed in this document. However, the Securities Lending Agent does implement its own exclusions policy on acceptable collateral, which is in part aligned with MIAL's exclusions.

Pooled vehicles: MIAL has some investments in pooled vehicles where the investment manager, not MIAL, has the legal right to vote the shares contained in the pooled vehicle. In these cases MIAL accepts that it cannot vote these shares, and will instead seek to monitor, and on occasion influence, voting by the investment manager.

Power of Attorney (PoA) markets: there are some international markets where voting can only be carried out by an individual actually attending the meeting. This usually needs to be carried out by Mercer through its custodian appointing an individual through a standing Power of Attorney for each market, who will then vote in accordance with MIAL's instructions or those of our service providers. The rules on Powers of Attorney vary by market, apply for different periods of time and have various cost implications.

MIAL will put in place PoAs for the larger markets (for example, Brazil, Argentina, Sweden and Poland) but will take a cost / benefit view on the smaller markets which employ this structure, meaning that there may be some smaller markets where MIAL will not vote shares that it may hold.

Engagement

Corporate engagement refers to discussions with a company, usually at Board or senior management level, with the objective of changing the behaviour of that company. This will generally occur when MIAL or its agents have identified underperformance by a company, or where the company has failed to meet accepted corporate practice or where the company's conduct places in doubt the reputation and value of the company.

The issues addressed will generally focus on material environmental, social and governance (ESG) factors or business strategy issues – for example, mergers and acquisitions, capital structure and capital allocation, remuneration, climate change risk management and workforce management including workforce diversity.

Mercer believes its appointed investment managers are typically best placed to prioritise particular engagement topics by company, however, Mercer as fiduciary also has a role to play in relation to more strategic themes and topics. MIAL has developed an Investment Engagement Framework, which has helped to:

- Develop a systematic approach and key principles for considering themes and topics and agreeing portfolio-wide engagement priorities.
- Document the specific definitions and implementation procedures for approving and amending engagement priorities.
- Articulate the governance procedures for monitoring and escalating engagement priorities and implementation in regional investment portfolios.

The Investment Engagement Framework considers three main criteria – Beliefs, Materiality and Influence (BMI) and engagement priorities are expected to intersect meaningfully across all three as tested with answers to a series of questions and evidenced by documenting relevant research and portfolio materiality.

In most instances, corporate engagement implementation is delegated to the appointed investment managers, who are encouraged to engage with portfolio companies on material ESG issues with the aim of improving long-term risk adjusted returns and the stability of financial markets. MIAL will also communicate its identified engagement priority topics and seek reporting from managers on their activities as they relate to those priorities.

MIAL may also elect to participate, as appropriate, in collaborative industry engagement initiatives. MIAL will give particular consideration to the developments within industry groups where we are members, such as the Investor Group on Climate Change (IGCC), the Responsible Investment Association Australasia (RIAA) and the Principles of Responsible Investment (PRI).

In certain circumstances, MIAL may engage directly with a company on a matter deemed significant, particularly where engagement is related to proxy voting activities outlined above.

In addition to the above, MIAL will also monitor for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues, as identified by the external ESG research provider MIAL appoints. In response to identified breaches, MIAL will engage with the investment managers owning those companies and seek their views on the risk, return and reputation implications. If, over a meaningful period of time, the company has not rectified the breach and the investment manager still owns the company, MIAL may decide to test the topic within the Exclusions Framework and take further action as a result.

Public Policy Participation

MIAL has a direct interest in engaging with regulators, and sometimes with governments, to recommend changes or express views on proposed changes to regulatory regimes where this is deemed important to protect the rights, and enhance the interests, of its investors.

This concerns the law or the rules set by governments and regulators which companies must observe if they desire to operate or have their shares publicly traded in that country – for example, the rules governing the disclosure of financial information to shareholders, company law governing meetings of the company and the election of directors. Some standards, such as those for accounting, are set at a global level. It is these laws, rules, and regulations that set the minimum rules for corporate behaviour and transparency.

Disclosure

In the interests of transparency for our investors, Mercer will publish on its website its voting policy and voting results for all companies voted on a six-monthly basis, within 3 calendar months of the end of the six-month period, as required by current industry standards and in line with the standard set by the Financial Services Council. Voting reports, including the use of Super Votes and any contentious or sensitive votes, will be tabled at the MIAL board meetings on a six-monthly basis. Information about the voting policy on the website will be kept up to date.

Mercer will report to its investors on its voting and engagement activity and monitoring processes on at least an annual basis, in different levels of detail for different investor requirements.

06/Exclusions

As an overarching principle, Mercer is committed to investing responsibly and prefers an integration and engagement-based approach as outlined earlier in the policy. However, there are a limited number of instances in which exclusions may be considered necessary. Exclusions should be a last resort because once divested, Mercer loses its shareholder rights and thereby the ability to influence the future behaviour of companies. Even where an exclusion may be considered necessary, Mercer will seek opportunities to use its influence to address the underlying issue of concern with companies, regulators and other standard setters such as stock exchanges or industry groups to the extent that ongoing engagement on the issue is aligned with the best interest of investors.

The reasons to exclude certain securities are likely to be a combination of a number of underlying factors that make continuing to include exposure to the securities in the investment universe untenable. These factors could include investment beliefs, risk management, expected social impact, public policy, reputation, investor expectations, ability to influence, and expected impact on portfolio returns.

Exclusion Criteria

When considering exclusions, MIAL has developed an Investment Exclusions Framework in which multiple risk, return and reputation criteria are considered. The key components of the framework include an assessment using the following exclusion criteria:

1. Whether Australian legislation, regulation or government commitments prohibit the production, distribution, consumption or use of a product, service or activity, or aim to severely curtail or make obsolete such products, services or activities in the foreseeable future.

2. Whether the exclusion will have a positive / immaterial / negative impact on risk-adjusted returns, consistent with fiduciary obligations.

3. Whether MIAL is of the view that the product, service or activity causes substantial and irreparable harm to society.

4. Whether exclusion is consistent with MIAL's purpose to create a positive impact on the businesses, people and communities we serve and our mission to help our investors advance their health, wealth and careers.

5. Whether other responsible investment approaches, such as company engagement, are expected to have efficacy in addressing the issue of concern.

6. Whether the exclusion is aligned with the expectations of our investors, both current and prospective.

7. Whether the exclusion is likely to reduce reputational risk of MIAL and/or our investors.

In evaluating any potential exclusion against the above criteria, MIAL considers the response to each question individually and the response to the exclusion criteria in total.

Implementation

MIAL relies on a third party provider of ESG Research in determining the individual companies to be excluded based on the decisions made under the above criteria.

MIAL will apply this framework to its direct investments, through its Investment Management Agreements with its external investment managers. Where MIAL is invested in a collective investment scheme (CIV) or fund in which its assets are pooled with those of others, it may not be able to dictate these exclusions. In these instances, MIAL will make best endeavours to implement the Investment Exclusions Framework and will notify the investment manager of any approved exclusions and the specific definitions for those exclusions.

In selecting investment managers and CIVs, MIAL will consider the manager's ability to implement any Approved Exclusions. Compliance with the exclusions will be encouraged and monitored but cannot be guaranteed all of the time. From time to time, a manager of a CIV may exclude the product, activity or industry using a definition that is different to MIAL's definition. This is acceptable provided there is broad consistency with the MIAL definition. If a CIV is known to have material exposure to an excluded product, activity or industry, and the manager is unable or unwilling to divest these exposures, the CIV will be terminated in an orderly manner.

Current Exclusions

The following exclusions are currently applied across all Mercer Trusts in respect of options managed by MIAL as a result of decisions supported by the exclusions framework outlined above:

- **Controversial Weapons:** Companies that manufacture whole weapons systems, or delivery platforms, or components that were developed or are significantly modified for exclusive use in cluster munitions, anti-personnel landmines, biological or chemical weapons, as well as companies involved in the production and retailing of automatic and semi-automatic civilian firearms.
- **Tobacco Companies:** Companies involved in the manufacture and/or production of tobacco products (regardless of revenue), including subsidiaries and joint ventures, as well as any other company that derives 50% or more of revenue from other tobacco related business activities such as packaging, distribution and retail of tobacco products.

Mercer also manages a number of Socially Responsible Investment funds and investment options, to which additional exclusions apply. These additional exclusions are designed to align with the values of a particular customer base. Examples include excluding companies involved in adult entertainment, alcohol, fossil fuels, and gambling.

07/Policy Implementation

Table 3 below describes how Mercer will implement the commitments set out in this policy across the different asset classes.

Table 3. Implementation Summary

Communication	• All appointed investment managers are to be sent the latest version of the Policy, as referenced in the Investment Management Agreement (IMA) with each manager.
Monitoring	• Manager ESG capabilities using Mercer's ESG Ratings (all asset classes). • Portfolio holdings for ESG, climate change and sustainable development metrics (equities, fixed income, and real assets). • Voting and engagement activity (equities only for voting, engagement across asset classes). • Exclusions compliance (all asset classes) and UN Global Compact breaches (equities).
Engagement	• Request information on manager views on material ESG issues and how they are considering these in investment analysis and portfolio construction (all asset classes). • Communicate with managers on areas of weakness or questions identified in the above monitoring (all asset classes). • Communicate with companies directly on occasion, particularly around Super Vote considerations. • In addition, Mercer will participate in collaborative industry initiatives. Mercer currently supports the following key initiatives globally and within Australia: • 30% Club (Australian Investor Chapter) • Carbon Disclosure Project (CDP) • Global Impact Investing Initiative (GIIN) • Investor Group on Climate Change (IGCC) • Principles for Responsible Investment (PRI) • Responsible Investment Association of Australasia (RIAA) • The Investor Agenda • Transition Pathway Initiative (TPI)
Transparency	• Report to investors and the board on progress against the above commitments at least annually. • Provide public disclosure on proxy voting. • A stand-alone report on Mercer's climate change management has been made available from October 2019.

Application to different investment structures

MIAL investment arrangements are a combination of separate mandates with investment managers, investments in pooled vehicles, and direct investments. Appropriate approaches are expected across these different investment arrangements.

MIAL's Investment Management Agreements for mandates will reference the Mercer Trusts Sustainable Investment Policy. Where MIAL invests in pooled funds, adopting the policy ultimately relies on the investment managers incorporating ESG into their investment processes.

Pooled vehicles have their own Trustee or Responsible Entity, who must act on behalf of all unit holders collectively. Whilst the adoption of the policy in these vehicles ultimately relies on investment managers incorporating ESG into their investment processes, Mercer retains ultimate responsibility for meeting our aspirations in regard to investing in a sustainable manner and for the Mercer's share in such vehicles. MIAL will, where appropriate, seek to monitor significant ESG issues that arise within a pooled investment.

Investments in unlisted companies and alternative asset classes

MIAL may invest directly and indirectly in some unlisted companies and in alternative asset classes / private equity vehicles. Alternative investment managers, including private equity, hedge funds, infrastructure and real estate, are assessed with regard to a wide range of factors that include their consideration of ESG risks and opportunities. For the purposes of this policy we consider real estate and infrastructure as alternative asset classes. MIAL considers sustainable property and infrastructure characteristics within the relevant portfolios for both MIAL's direct and listed property and infrastructure funds. MIAL may consider ESG factors in regard to the development, maintenance and refurbishment of existing properties and infrastructure assets.

In keeping with the policy regarding potential systemic risks at the portfolio level, MIAL will monitor investments that are potentially exposed to climate change impacts and incorporate this within an assessment of the portfolio from time to time.

08/Policy Governance

Mercer Superannuation (Australia) Ltd (MSAL) is the owner of the policy as the trustee. In its capacity as trustee, MSAL has appointed Mercer Investments Australia Limited (MIAL) to act as the primary implemented consultant for the Trusts.
MIAL's Investment Management and Responsible Investment Team's reports to MIAL on those topics covered by the policy and will be accountable for guiding the implementation of the policy, reviewing the policy annually, and recommending amendments as necessary.

Key responsibilities for the maintenance of this policy are set out in the table below.

Name of owner	Area of responsibility
MSAL	Own and approve the policy.
MIAL	Monitor against policy
CIO	Accountable for adherence to policy and oversight of Investment Management Team.
Investment Management Team	Implement against policy.

This policy will be reviewed at least annually, or more frequently if:

- Meaningful change is made to the sustainable investment process; or
- Relevant legislation or regulation requirements change.

Despite any provision to the contrary, management may amend this document to:

- Correct any grammatical, typographical or cross referencing errors;
- Reflect non-material changes to operational procedures;
- Reflect any non-material changes required by law, a regulator or internal/external auditors; or
- Implement any required changes flowing from a board resolution;

Provided the amendment is approved by any two members of the Pacific Leadership Team ('PLT'). All other amendments to this document must be approved by the MSAL Board.

Appendix - Mercer's ESG Ratings

Mercer's ESG Ratings represent the Manager Research team's assessment of the degree to which environmental, social and corporate governance (ESG) factors are incorporated within a strategy's investment process. Four factors are considered and documented within the research commentary and an overall rating assigned, where ESG1 = highest possible rating and ESG4 = lowest possible rating. The research is stored within Mercer's Global Investment Manager Database (GIMD).

Mercer's four factors

Idea generation

- ESG factors integrated into active fund positions as a source of value added.
- Identification of material ESG factors - skill of team members, data sourcing

Implementation

- Engagement and proxy voting activities (if applicable).
- Investment horizon aligns with ability to effectively implement ESG views?

Portfolio construction

- Efforts to integrate ESG driven views into the portfolio's construction.

Business management

- Firm-level support for ESG integration, engagement activities and transparency.

	ESG1	ESG2	ESG3	ESG4
Active	Leading approach to integration, where ESG is embedded in investment philosophy; strong on stewardship which is a core part of process.	Consistent and repeatable process to ESG integration (focus on risk management); well-developed evidence of stewardship .	Well-developed G integration; less consistency in E&S stewardship process is ad hoc, but indications of progress.	Little or no integration of ESG factors or stewardship into core processes and no indication of future change.

For passive equity ratings, the overall framework is the same, but the focus is primarily concerned with stewardship activities.

Mercer's four factors - passive equities

Voting & engagement

- Policy, process and prioritisation.
- Quality of engagements.

ESG integration

- Skill set of resources.
- Effectiveness of engagement outcomes.

Resources & implementation

- Data analysis to enhance active ownership.

Firmwide commitment

- Collaborative initiatives and engagement with regulators and policymakers.

	ESGp1	ESGp2	ESGp3	ESGp4
Passive	Leaders in V&E across ESG; stewardship activities and ESG initiatives undertaken consistently at a global level; clear link between engagement & voting actions	Strong approach to V&E across ESG topics, and initiatives at a regional level, with progress made at a global level; working towards clearer links between V & E	Focus of V&E tends to be on governance topics only, or more regionally focused with less evidence E&S (in voting & engagement, as well as other internal ESG initiatives)	Little or no initiatives taken on developing a global V&E capability, reactive engagements; and little progress made on other ESG initiatives

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welcome to brighter

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