Mercer

Sustainable Investments Information booklet

1 April 2023

This Booklet contains general information only and does not take into account your individual objectives, financial situation or needs. Before acting on any of this information, you should consider whether it is appropriate to your objectives, financial situation and needs. You should get financial advice tailored to your personal circumstances. Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533 Australian Financial Services Licence ('AFSL') 235906 is the trustee of the Mercer Super Trust. In this Booklet, MSAL is called trustee, we or our unless otherwise noted.

The trustee has appointed Mercer Investments (Australia) Limited (MIAL) ABN 66 008 612 397 Australian Financial Services License (AFSL) 244385 as an implemented consultant to provide investment strategy advice, portfolio management and implementation services including investment manager selection and monitoring. MIAL is also the responsible entity of the Mercer Funds and the Mercer Investments Funds, in which the Mercer Super Trust invests. Advance Asset Management Limited (AAML) ABN 98 002 538 329 AFSL 240902 is the responsible entity for the Advance Funds. MIAL and AAML are named in this Booklet and both have consented to being so named. MSAL, MIAL and AAML are wholly owned subsidiaries of Mercer (Australia) Pty Ltd (MAPL) ABN 32 005 315 91, which is part of the Mercer global group of companies. References to 'Mercer' in this Booklet generally means MIAL or AAML.

CONTENTS

This Sustainable Investments Information booklet (Booklet) provides important information about the sustainable investment approach taken in the Mercer Super Trust. This Booklet should be read in conjunction with the Investments booklet applicable to your Plan. The information in this Booklet forms part of the following Product Disclosure Statements (PDS) dated 1 April 2023:

- Employer Super in the Corporate Superannuation Division ('CSD')
- Employer Section of the SmartSuper Plan in the CSD
- Individual Section of the SmartSuper Plan in the CSD
- Mercer Business Super in the CSD
- ARC Super Plan in the CSD
- Macquarie Super Plan in the CSD
- Lutheran Super Plan in the CSD
- Anglican Super Plan in the CSD
- Uniting Church Plan in the CSD
- Chevron Super Plan in the CSD
- Mercer Tailored Super in the CSD
- Mercer Tailored – myChoice in the CSD
- Mercer SmartSuper
- Mercer SmartRetirement Income.

The information in this Booklet also forms part of:

- the PDS for Holden Super in the CSD dated 30 May 2023
- the PDS for Mercer MyChoice in the Retail Division dated 1 September 2023
- the PDS for Mercer Business Super in the CSD dated 16 October 2023
- the PDS for Macquarie Group Super Plan – Family and Retained category in the CSD dated 22 December 2023
- the PDS for Mercer SmartRetirement Income dated 27 March 2024.

You should consider the information in this Booklet, your Plan's Investments booklet (which contains the investment options available in your Plan), the PDS and any other important information booklets referred to in this Booklet, before making any decision about your super.

MSAL is responsible for the contents of this Booklet and is the issuer of this Booklet. MIAL, AAML, MAPL, or your Employer (if applicable) are not responsible for the issue of, or any statements in this Booklet, the PDS or any of the other important information booklets referred to in this Booklet or the PDS. They do not make any recommendation or provide any opinion regarding your Plan in the Mercer Super Trust or an investment in it.

The value of the investments in your Plan may rise and fall. MSAL, MIAL, AAML, MAPL and your Employer (if applicable) do not guarantee the investment performance, earnings, or the return of any capital invested in your Plan.

You can find more information about the investment options applicable to your Plan in your PDS and your Plan's associated Investments booklet.

Updated information

The information in this Booklet, the PDS and the other booklets (that are part of the PDS) may change. You can obtain updated information that is not materially adverse at mercersuper.com.au or call the Helpline to request a copy of the information free of charge. Changes that are materially adverse will be advised to you as required by law.

Understanding your Investments

The Mercer Super Trust predominately invests in investment funds for which MIAL or AAML acts as the responsible entity. MIAL and AAML select, appoint, replace and evaluate investment managers for these funds. MIAL and AAML do not directly select securities; instead, they rely on specialist third-party investment managers to invest on their behalf. They may also rely on specialist third party environmental, social and governance (ESG) providers and their methodology for implementing the sustainable investment approach outlined in this Booklet.

The information in this Booklet is only applicable for the Mercer Super Trust's Ready-made and certain Select-your-own Options. These options are referred to as 'Mercer Investment Options' in this Booklet. For information on all the investment options available in your Plan, please read your Plan's *Investments* booklet.

For Mercer Direct (if applicable to your Plan) and Non-Mercer Managed Options that may be available in your Plan, the trustee does not impose any specific sustainability and ESG requirements for the shares, exchange traded funds and term deposits available to you through Mercer Direct or those Non-Mercer Managed Options.

Important information about a transition of assets into the Mercer Super Trust

On 1 April 2023, some of the Mercer Investment Options received Transitioned Assets, primarily in the form of units in funds for which AAML is the responsible entity (Advance Funds), and also some unit holdings in funds managed by third party investment managers. The Transitioned Assets were received as part of a successor fund transfer (SFT) process when BT Super transitioned into the Mercer Super Trust.

As part of the transition process, where relevant, the investment managers for the Advance Funds have been instructed to comply with Mercer's Exclusion Criteria as outlined in this Booklet. At the date of this Booklet, the Advance Funds are in the process of implementing those instructions as market conditions allow and in the best interests of investors.

This means that for an extended period of time the Mercer Investment Options may deviate from the trustee's sustainable investment approach outlined in this Booklet.

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1. The trustee's sustainable investment approach

The trustee believes a sustainable investment approach for the Mercer Investment Options is more likely to create and preserve long-term investment capital. For these options, the trustee seeks to implement its sustainable investment approach using the following five key techniques, where relevant and aligned with the achievement of investment objectives:

- Seeking to avoid certain investments (Exclusions)
- Seeking to make investments linked to sustainability-themes (Sustainability-themed investing)
- Integrating climate change considerations into investment processes (Climate change)
- Integrating ESG considerations into investment processes (ESG Integration)
- Undertaking active ownership activities, which encompasses engagement and proxy voting (Active Ownership).

The trustee implements this approach through its implemented consulting arrangement with MIAL and in doing so adopts the sustainable investment approach outlined in this Booklet.

2. Exclusions

Mercer has created a set of Exclusion Criteria to seek to avoid investing in certain companies or securities.

The application of the Exclusion Criteria is generally determined by the nature of the holdings, specifically whether the holdings are 'direct' or 'indirect'. Direct Holdings and Indirect Holdings mean:

- Direct Holdings generally means securities held within a Collective Investment Vehicle (CIV) managed by a Mercer entity, including MIAL or AAML, under an investment management agreement with a third party investment manager. The Exclusion Criteria mainly apply to Direct Holdings.
- Indirect Holdings generally means securities held within a CIV, which is not managed by a Mercer entity, such as a derivative, exchange traded vehicle, or other structure managed by a third party investment manager or traded on an exchange. Exclusions may not be able to be applied to Indirect Holdings.

The following Exclusion Criteria apply to the Direct Holdings, subject to the Exceptions detailed under 'Exceptions' section.

<u>Exclusion Criteria</u>

- **Controversial weapons:** companies that:
  - Manufacture whole weapons systems, or delivery platforms, or key components that were developed or are significantly modified for use in cluster munitions, anti-personnel landmines, biological or chemical weapons
  - Are involved in the production or retailing of automatic or semi-automatic civilian firearms and/or ammunition.
- **Tobacco companies**:
  - Companies involved in the production of tobacco, manufacture of nicotine alternatives or tobacco based products (regardless of revenue), including subsidiaries and joint ventures. Nicotine alternatives and tobacco-based products include nicotine vaping products eg.'vaping' devices and e-cigarettes
  - Any other company that derives 50% or more of its gross revenue (or, where gross revenue figures are not available, net revenue) from tobacco related business activities such as packaging and distribution.
- **Russian securities**: Where relevant, Mercer has instructed its investment managers to divest any existing exposure to Russian securities as market conditions allow and to prohibit any new investments in Russian securities. This may mean that Mercer Investment Options still retain exposures to Direct Holdings of Russian securities, as Mercer seeks to divest in a manner that balances the best financial interests of investors. For these purposes, Russian securities are:
  - Shares – for publicly held companies within the country of incorporation or where the security has a primary listing in Russia, including their subsidiaries.
  - Fixed income – Debt instruments issued by Russian companies plus Russian sovereign bonds and bonds issued by Russian government-related entities (Rouble or foreign currency denominated)
  - Securities issued by companies holding Russian cash or having Russian foreign exchange exposure such as forward foreign exchange contracts
  - Securities issued by Russian companies sanctioned by Australia and related entities of sanctioned companies
  - Private markets assets (including property, infrastructure and other real assets as well as private companies) domiciled in Russia
  - Derivatives having Russian assets as primary exposure.

If a security is assessed as meeting the Exclusion Criteria, and is included on the Exclusion List, the investment managers will generally be expected to divest the investment within a reasonable period of time and as market conditions allow, subject to the Exceptions below.

Determining whether companies or securities meet an Exclusion Criteria
Mercer engages a third party research provider to create a list of excluded securities (Exclusion List) based on the Exclusion Criteria. The research provider has defined evaluation rules and methodology frameworks, underpinning their assessment of which companies or securities to include on the Exclusion List. Mercer conducts due diligence on the provider to determine whether their research process and methodologies are sound for producing an Exclusion List reasonably aligned to the intent of the criteria. The Exclusion List is typically updated on a quarterly basis and made available to the investment managers, as relevant.

In addition to the Exclusion List, Mercer may provide the Exclusion Criteria to the investment managers and request them to seek to identify other securities that meet the Exclusion Criteria.

Exceptions

When Mercer Investment Options have Indirect Holdings, they may have exposure to companies or securities that would meet the Exclusion Criteria. Direct Holdings may also contain investments, by exception that would otherwise meet the Exclusion Criteria, in the following circumstances:

- **Asset transitions:** There are instances when assets are transitioned into the investment options. In these instances, it may take time for transitioned Direct Holdings to align with the Exclusion Criteria. In these instances, there may be a period of time when the Direct Holdings within investment options are exposed to securities that meet the Exclusion Criteria.

  Example:

  When BT Super transitioned to the Mercer Super Trust via SFT on 1 April 2023, many Mercer Investment Options received Transitioned Assets. Investment managers appointed to manage Direct Holdings in Advance Funds have been instructed to implement the Exclusion Criteria outlined above as market conditions allow and in the best interest of investors. The Advance Funds investment managers will require a transition timeframe to align with the Exclusion Criteria. This means that Direct Holdings within the investment options may contain exposures to securities meeting the Exclusion Criteria for a period of time.

- **Discretion:** In limited circumstances, investment managers may be able to continue to hold or acquire a company meeting the Exclusion Criteria. This includes where a movement above an exclusion threshold may be temporary, due to market movements or data lags, or where the investment is material to achieving investment objectives, in which case Mercer will continue to monitor the investment and instruct investment managers to divest only if it is in the best interests of investors.
- **Other factors beyond Mercer's control**: there remain some factors beyond Mercer's control, as outlined in the examples below, that mean an investment option may have exposure within Direct Holdings to a company or security that meets an Exclusion Criteria.

  Examples:

  Operational or structural constraints, different definitions and methodologies of research providers or where there is a change of revenue over a reporting period, data or calculation methodologies.

Subject to the Exceptions outlined above, if a security is included on the Exclusion List, the investment managers of Mercer's Direct Holdings will generally be expected to divest the investment within a reasonable period of time and as market conditions allow.

3. Sustainability-themed investing

The trustee believes that including some exposure to investment managers that identify longer-term environmental and social themes and seek to invest in companies delivering solutions to environmental and social challenges, are likely to lead to improved risk management and new investment opportunities. Examples of these sustainability themed investment opportunities could be safe and accessible water, sustainable agriculture, renewable energy, green buildings and lower carbon tilted portfolios.

Mercer's investment manager selection and monitoring processes, as well as strategic asset allocation reviews, seek to consider these types of exposures when making decisions about portfolio construction.

4. Climate Change

Mercer believes that limiting global average temperature increases this century to 'well below 2°C', as per the 2015 Paris Agreement, is likely to be aligned with the best financial outcome for long-term diversified investors, such as many superannuation members.

Mercer supports the goals of the Paris Agreement and seeks to align portfolios with the associated transition to a lower carbon economy where this is also consistent with meeting stated investment objectives. To support achievement of the goals of the Paris Agreement, Mercer has a target to achieve net zero absolute carbon emissions by 2050 for its assets under management in Australia.

Achieving the net zero target relies on some key assumptions including:

- The prevalent climate science at the time the target was set, recommending a net zero target date of 2050.
- Mercer's climate scenario analysis, indicating a 2°C or below scenario is in investors' best interests.
- The availability of sufficient investment strategies, solutions, asset level climate data and industry frameworks that allow investors across asset classes to decarbonise while meeting investment objectives.
- An expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met.

In 2023, the Mercer Investment Options received Transitioned Assets, primarily in the form of CIVs. The Transitioned Assets may take time to align with Mercer's approach to managing climate change. Given the significant change in the nature of the underlying assets, Mercer may also conduct a re-baselining exercise in 2023 for starting point carbon emissions against which the net zero target is tracked.

The target is expected to be met by following a climate transition plan (the Climate Plan). The Climate Plan aims for:

- an approach to decarbonisation which is broadly aligned with the commitments of the Paris Agreement, but accounting for the transition occurring in the real economy and understanding the different transition capacity by asset class, given liquidity and sector exposures.
- a reduction in atmospheric carbon emissions as opposed to just portfolio carbon emissions. This is measured by absolute emissions per dollar invested.
- where relevant and consistent with meeting the stated investment objectives, alignment with key sustainable investment principles as follows:
  - Integration – incorporate climate metrics in portfolio management including manager monitoring and strategic asset allocation modelling.
  - Active ownership – engage with appointed investment managers, via collaborative initiatives or directly with companies to support decarbonisation and orderly climate transition.
  - Sustainability themed investment - including exposure to investment managers that identify longer-term environmental and social themes and seek to invest in companies delivering solutions to environmental and social challenges.

Progress towards achieving the stated target will be monitored on a regular basis, typically annually, considering absolute emissions and carbon intensity reductions, together with transition capacity using Mercer's proprietary Analytics for Climate Transition (ACT) tool. The ACT tool assesses portfolios across a spectrum of carbon risk, with portfolios ranked from low transition capacity (grey investments) to investments that are low carbon risk/zero carbon already, or are providing climate solutions (green investment). Progress against the stated target will be included in a Annual Sustainable Investment report, or similar progress report. The Annual Sustainable Investment Report is available at **https://www.mercersuper.com.au/sustainable-investment--ethical-super-/**

Mercer seeks to align its approach to climate change with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Where relevant, Mercer also encourages its investment managers to make disclosures consistent with the TCFD recommendations.

5. ESG Integration

Where relevant and aligned with achieving investment objectives, Mercer aims to appoint investment managers who assess and reflect ESG risks and opportunities when they select securities or assets and construct portfolios. Mercer acknowledges that the degree of relevance or materiality varies across asset classes and type of investment strategy.

The table below contains examples of ESG factors which may be considered by the appointed investment managers:

Environmental factors
• Climate change • Water security • Waste and pollution • Biodiversity
Social factors
• Health and safety • Labour standards and modern slavery, including supply chains • Human rights • Demographics/consumption
Governance factors
• Board diversity, composition and effectiveness • Executive remuneration • Conduct, culture and ethics • Shareholder rights

Mercer's ESG Ratings

A key way Mercer aims to integrate ESG considerations into its manager selection processes is through consideration of ESG Ratings developed by Mercer's Manager Research (MMR) capability. The ESG Ratings represent an assessment of the extent to which ESG and active ownership (voting and engagement) are integrated into a strategy's investment decision making process. Four factors are considered and documented within the research commentary and an overall rating assigned, where ESG1 is the highest possible rating and ESG4 is the lowest possible rating. More information about Mercer's ESG Ratings is available in Appendix 1.

6. Active Ownership

Share voting

Mercer outsources proxy voting responsibility to its listed equity investment managers and expects the listed equity investment managers to vote shares in a timely manner and in a manner deemed most likely to protect and enhance long-term value.

Mercer expects its listed equity investment managers to establish their own voting policy that sets out the principles and guidelines under which rights to vote are exercised.

Mercer engages the services of a third party proxy advisor to facilitate the collation and reporting of proxy voting data. Mercer's proxy voting records are updated semi-annually.

Taking a super vote

While proxy voting decisions are typically outsourced to the listed equity investment managers, Mercer retains the right to instruct the listed equity investment managers on how to vote the shares in its account. When this is done, it is called exercising a Super Vote. Typically a Super Vote is exercised when it is in the best interest of investors. In determining such votes, Mercer may consider its proxy advisor's recommendation, the view of its listed equity investment managers and best practice industry standards and governance guidelines. Mercer may also conduct its own research or engage with the relevant company to inform its decision on a Super Vote.

Vote Exceptions

There may be circumstances where the investment manager they may be unable to lodge a vote on its behalf. There may also be circumstances where the investment manager or Mercer decide that abstaining from a vote may be in the best interest of investors. Further details of the circumstances through which voting Exceptions can occur can be made available to investors upon request.

Engagement

Engagement may be undertaken with companies or policy makers via appointed investment managers, collaborative initiatives and/or directly by Mercer. Engagement would generally be undertaken through one of these channels where it is believed to be in the interest of investors.

Examples include engagement on key sustainable investment topics such as climate change or modern slavery, or when Mercer becomes aware of matters of material ESG concern at a company level, such as a high severity incident under the United Nations Global Compact (UNGC) principles.

Mercer may use a range of inputs to determine when engagement may be warranted. These include but are not limited to ESG research from an external provider, information gained through collaborative initiatives, Mercer's proprietary sustainable investment research or tools, information gained through engagement with investment managers or ESG portfolio analysis.

7. Mercer Sustainable Plus Options

As with all the Mercer Investment Options, the trustee aims to reduce exposure to excluded securities. For the Sustainable Plus Options, even though the trustee has Additional Exclusion Criteria, these options may still be exposed to excluded securities as explained in this Booklet.

You can check the underlying assets of your investment options at mercersuper.com.au/investments.

Mercer Sustainable Plus Options seek to apply the Exclusion Criteria outlined in Section 2. In addition, these options seek to apply Additional Exclusion Criteria, which is outlined in this Section 7, to a portion of the assets. In both cases, this is subject to certain Exceptions, explained in Sections 2 and this section 7.

Mercer Sustainable Plus Options have a portion of their assets invested in sustainable-labelled CIVs. Sustainable-labelled CIVs typically incorporate additional sustainable investment considerations into their investment process.

Portions of the Sustainable Plus Options can also still invest in asset classes and companies that:

- have shareholdings in excluded companies or securities
- buy, sell or process products from excluded companies or securities
- provide products and services to excluded companies or securities
- may not meet the Exclusion Criteria and/or the Additional Exclusion Criteria.

As explained at the start of this Booklet, the Mercer Super Trust is Transitioning Assets during 2023 and as part of this transition is in the process of aligning the Transitioning Assets with the sustainable investment approach outlined in this Booklet, including the Exclusion Criteria and Additional Exclusion Criteria. The process of aligning may take an extended period of time.

For the Sustainable Plus Australian Shares Option, Taxed Sustainable Plus Australian Shares Option, Sustainable Plus International Shares Option, Taxed Sustainable Plus International Shares Option, Sustainable Plus High Growth Option, Taxed Sustainable Plus High Growth Option, Sustainable Plus Moderate Growth Option and Taxed Sustainable Plus Moderate Growth Option

These Sustainable Plus Options apply the sustainable investment approach as outlined in this Booklet, including the Exclusion Criteria outlined in Section 2.

These options may invest in one or more asset classes. Some options include investments only in Australian or international shares and others are more diversified, with investments across a range of asset classes. The asset classes into which each option invests are set out in the *Investments* Booklet for your Plan.

For **Australian and international shares asset classes** – as at the date of this Booklet, these options invest a portion of their Australian and international shares assets into one or a combination of sustainable-labelled CIV's managed by MIAL (MIAL sustainable-labelled CIVs). These MIAL sustainable-labelled CIVs apply an additional sustainability approach, which is explained later in this Section 7.

The other asset classes within these options, as well as some sub asset classes within Australian and international shares, do not apply an additional sustainability approach.

MIAL sustainable-labelled CIVs – additional sustainability approach

The MIAL sustainable-labelled CIVs incorporate an additional sustainability approach, which includes:

- Appointing underlying investment managers with strong ESG integration capability or who actively seek a higher proportion of investments linked to sustainability themes; and
- Seeking to reduce investments that meet the Additional Exclusion Criteria outlined in the table below. These Additional Exclusion Criteria are also subject to the Exceptions set out in Section 2.

MIAL Sustainable-labelled CIV's	Additional Exclusion Criteria
Mercer Sustainable Plus Australian Shares Fund	• Companies involved in the development or production of nuclear weapons or depleted uranium ammunition/armour. • Companies with a material exposure to thermal coal mining or oil sands production (where materiality is defined as >5% of gross revenue in the last full financial year (or, where not available, net revenues based on available company filings)). • Companies with a material exposure to adult entertainment, alcohol or gambling (where materiality is defined as >5% of revenue for producers, and >50% of revenue for associated business activities e.g. retail and distribution. Gross revenue in the last full financial year is used or, where not available, net revenue based on available company filings).
Mercer Passive Sustainable International Shares Fund	• Companies involved in the development or production of nuclear weapons or depleted uranium ammunition/armour. • Companies with a material exposure to thermal coal mining or oil/tar sands production (where materiality is defined as >5% of gross revenue in the last full financial year (or, where not available, net revenues based on available company filings)). • Companies with a material exposure to adult entertainment, alcohol or gambling (where materiality is defined as >5% of revenue for producers, and >50% of revenue for associated business activities e.g. retail and distribution. Gross revenue in the last full financial year is used or, where not available, net revenue based on available company filings).

Mercer Sustainable Plus International Shares Fund (hedged and unhedged classes)	• Companies involved in the development or production of nuclear weapons or depleted uranium ammunition/armour.
	• Companies with material^ exposure to:
	  • Thermal coal mining or oil/tar sands production.
	  • Alcohol production, gambling or adult entertainment.
	
	^ MIAL appoints a third party CIV operator to invest in these assets. The materiality of the exposure and the specific companies to be excluded is determined by the operator of the underlying CIV.

For the Sustainable Plus Conservative Growth Option, Taxed Sustainable Plus Conservative Growth Option, Sustainable Plus Growth Option and Taxed Sustainable Plus Growth Option

These options can have different investments to those outlined for the Sustainable Plus Options described above in this Section 7. A portion of each of these two options:

- applies the sustainable investment approach outlined in the rest of this Booklet, including the exclusions outlined in Section 2
- invests a portion of Australian and International share asset classes in the MIAL sustainable-labelled CIVs, which apply the Additional Exclusion Criteria explained in the table in this Section 7.
- is invested in a third party sustainable-labelled CIV, which are Transitioned Assets. As at the date of this Booklet, an estimate of the proportion within these options is:
  - Approximately 80 -100% in a third party sustainable-labelled CIV
  - Approximately 0 – 20% in MIAL managed CIVs, including a portion of the Australian and international share asset classes invested in the MIAL sustainable-labelled CIVs.

The allocation between the MIAL and third party sustainable-labelled CIVs may move outside this range during the transition period.

Third party sustainable-labelled CIVs

The sustainable investment approach outlined in this Booklet does not apply to third party sustainable-labelled CIVs. Third party sustainable-labelled CIVs may apply their own sustainable investment approach, which has similar types of exclusions to the MIAL sustainable labelled CIVs, but applies different definitions, materiality thresholds and methodology.

Sustainable Plus investment risk and return considerations

Applying additional exclusions in your investment portfolio may affect investment risks and returns. For example, the Sustainable Plus Options may apply exclusions to investment in companies or sectors that aren't typically excluded in other investment options. If those excluded companies or sectors perform well or poorly in certain time periods, there may be differences in return outcomes compared to a benchmark or comparable option where those exclusions are not applied.

Appendix 1

Mercer's ESG Ratings

The four factors against which a manager's investment strategy is assessed are as follows:

ESG integration in the Four-Factor Framework	
Idea Generation	How does the investment team identify ESG risks and opportunities at the portfolio level? How are ideas sourced? How is the materiality determined and incorporated into financial analysis?
Portfolio Construction	How effectively does the portfolio manager translate ESG views into active positions in the portfolio?
Implementation (Stewardship)	To what extent does the portfolio manager engage on ESG topics at the portfolio level? How has the engagement led to a change in portfolio positioning and/or the investment horizon? What efforts does the manager make to minimise portfolio turnover?
Business Management (Firm-wide commitment)	To what extent do the business leaders understand and support responsible investment and to what extent are these integrated across the business? What firm-wide beliefs, policies and responsible investment strategies are in place?

The ESG ratings represent MMR's view of the investment manager's capability in terms of what they are doing across the four factors: idea generation; portfolio construction; implementation (voting and engagement); and firm-wide commitment. The ratings are as below:

ESG1	The highest ESG rating is assigned to strategies that MMR believe to be leaders in integrating ESG and active ownership into their core processes, and that provide clear evidence that ESG overall, or a particular ESG theme, is embedded and core to idea generation and portfolio construction.
ESG2	The second highest rating is assigned to strategies that, in MMR's view, include ESG factors as a consistent part of decision making, with a strong focus on risk in valuation processes and commitment at the firm wide level, including on active ownership.
ESG3	The penultimate rating is assigned to strategies for which, in MMR's view, the manager has made some progress with respect to ESG integration and/or active ownership, particularly on corporate governance, but for which there is little evidence that ESG factors are taken into consideration consistently in valuations and investment processes.
ESG4	The lowest ESG rating is assigned to strategies for which, in MMR's view, little to no integration on ESG and active ownership into their core processes.

For passive strategies, MMR apply an ESGp1 through to ESGp4 scale. There are two key distinctions between ESG ratings for passive and active strategies. First, for passive, the bulk of the focus is on voting and engagement practices. Second, most of MMR analysis focuses on firm-wide levels of commitment rather than at the individual strategy level.

The following rating scale will apply, to passive equity strategies only:

ESGp1	The firm is a leader in its stewardship activities, undertaking voting and engagement activities at a global level, rather than at just a regional level. Policies are clearly articulated, and transparent, with the resources, expertise and systems in place to ensure these activities are implemented effectively. Engagement is undertaken and typically done at the company, industry and regulatory level. Voting policies also proactively address environmental and social issues in order for the team to vote effectively and engage with companies (rather than abstaining or focusing only on governance issues), and there is a clear link between the voting policies, engagement agendas and voting actions.
ESGp2	This rating will typically indicate the manager has made clear efforts to develop a process for its voting and engagement activities, but lags the best practices in some respect (e.g. regionally strong, but working towards developing a global presence; demonstrates some strength in company and industry engagement, but not in engaging with regulatory bodies, lack of full visibility on the link between voting actions).
ESGp3	Managers will have some dedicated resources in place and will demonstrate some but not all characteristics of the above ratings 1-2, but the primary focus is likely to be only on governance aspects of voting and engagement. Voting and engagement will also tend to be at the regional level rather than global.
ESGp4	Managers will have few resources in place and will demonstrate some but not all characteristics of the above ratings 1-2, but will not have the same level of disclosure. Voting will typically be outsourced with limited oversight and little or no evidence of engagement. Efforts to address environmental and/or social issues, either within voting or engagement, will be limited or absent.

Glossary

Additional Exclusion Criteria

The MIAL sustainable-labelled CIVs incorporate additional sustainability criteria, which includes additional exclusions as explained on Page 9 in Section 7. Where the Additional Exclusion Criteria applies, the same considerations in the circumstances explained on Page 4 in Section 2 are also taken into account.

Advance Funds

Funds for which AAML is the responsible entity.

Collective Investment Vehicle (CIV)

A collective investment vehicle allows investors to pool their money and invest the pooled funds, rather than buying securities directly as individuals. Collective investment vehicles are usually managed by a fund management company. In this Booklet, reference to:

- MIAL sustainable-labelled CIVs, which are managed by Mercer
- Third party CIVs or third party sustainable labelled CIVs, which are managed by investment managers not affiliated with Mercer.

Direct Holdings

Generally means securities held within a vehicle managed by a Mercer entity, including MIAL or AAML, under an investment management agreement with a third party investment manager.

Exceptions

When Mercer Investment Options have Indirect Holdings, they may have exposure to companies or securities that would meet the Exclusion Criteria. Direct Holdings may also contain investments, by exception that would otherwise meet the Exclusion Criteria, in the circumstances explained on Page 5 in Section 2.

Exclusion Criteria

Is explained on Page 4 in Section 2.

Exclusion List

A list of excluded securities created by a third party research provider, engaged by Mercer, based on the Exclusion Criteria or Additional Exclusion Criteria

Indirect Holdings

Generally means securities held within a Collective Investment Vehicle (CIV), which are not managed by a Mercer entity, such as a derivative, exchange traded vehicle, or other structure managed by a third party investment manager or traded on an exchange.

Mercer Investment Options

Mercer Super Trust's Ready-made and certain Select-your-own options. For information on all the investment options available in your Plan, please read your Plan's Investments booklet.

Mercer Direct

Provides access to a range of shares, Exchange Traded Funds (ETFs) and term deposits. For more details about the Mercer Direct investment option, please refer to the Investments booklet applicable to your Plan and the Mercer Direct Member Guide available at **mercersuper.com.au/pds**

Non-Mercer Managed Options

These are options that do not form part of the Mercer Super Trust's Ready-made and certain Select-your-own investment menu. For information on all the investment options available in your Plan, please read your Plan's Investments booklet.

Transitioned Assets or Transitioning Assets

In April 2023, some of the Mercer Investment Options received Transitioned Assets, primarily in the form of units in Advance Funds, and also some unit holdings in funds managed by third party investment managers. The Transitioned Assets were received as part of a successor fund transfer (SFT) process when BT Super transitioned to the Mercer Super Trust. Transitioned Assets includes the third party sustainable-labelled CIVs referred to in Section 7 on page 11.

Sustainable Plus Options

Form part of the Mercer Super Trust's Select-your-own investment menu. The Sustainable Plus options use a multi-manager investment approach, with different investment managers selected to implement investment strategies in each asset class that support the options' objectives.

If you have any questions about your super, contact us at:

Mercer Super Trust
GPO Box 4303
Melbourne VIC 3001

Helpline **1800 682 525**

Or visit **mercersuper.com.au**