

HEALTH WEALTH CAREER

SUSTAINABLE INVESTMENT POLICY

MERCER SUPERANNUATION
(AUSTRALIA) LIMITED

JUNE 2018



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BACKGROUND

Mercer Superannuation (Australia) Limited (MSAL) is the trustee of the Mercer Super Trust 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. The trustee and MIAL are wholly owned subsidiaries of Mercer (Australia) Pty Ltd, which is part of the Mercer group of companies ('Mercer').

This policy provides an overview of MSAL's principles and policies governing the implementation of its investment beliefs on sustainable investment as it relates to the MIAL managed investment options of the Trusts.

1.1. PURPOSE OF THE SUSTAINABLE INVESTMENT POLICY

MIAL makes recommendations to the Trustee for the establishment, monitoring and implementation of investment strategies for the Trusts. This document outlines the process MIAL undertakes in discharging the Trustee's responsibility with respect to consideration of environmental, social and governance (ESG) factors and sustainable investment issues.

This includes the following components:

1. Environmental, Social and Corporate Governance (ESG)
2. Taking a broader perspective on risk
3. Climate change poses a systemic risk
4. Active ownership
5. Accessing long-term streams of returns

1.2. RELATIONSHIP TO OTHER DOCUMENTS

This policy forms part of the investment governance framework for the Funds and should be read in that context.

1.3. KEY RESPONSIBILITIES

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

Name of owner	Area of responsibility
MIAL	Approve and monitor against policy.
CIO	Accountability for adherence to policy and oversight of Portfolio Management Team.
Portfolio Management Team	Management against policy.

1.4. REVIEW

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.

1.5. REVIEW

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 Market Leadership Team ('PMLT'). All other amendments to this document must be approved by the MIAL Board and ratified by the MSAL Board.

2

POLICY SCOPE AND KEY PRINCIPLES

This policy sets out how MIAL implements the trustee's investment beliefs on sustainable investment within the Trusts' Mercer managed investment options. The following key principles underpin this policy:

- **Clear communication** to underlying investment managers and Trust investors of the trustee's sustainable investment expectations.
- **Active monitoring** of underlying investment manager sustainable investment activities.
- **Engagement** with underlying investment managers to improve sustainable investment practices over time.
- **Proxy Voting** where the trustee is the beneficial owner of shares, in order to enhance the value of companies and markets.
- **Transparency** on the implementation of this policy to the investors in the Trusts.

Please refer to this policy for the trustee's key principles and overarching approach to environmental, social, and corporate governance (ESG) factors, sustainability trends, climate change, active ownership (voting and engagement), and screening or exclusions.

2.1. OUR APPROACH

MIAL's dedicated Responsible Investment (RI) team has advised investors on all aspects of sustainable investment since 2004 and this experience informs the approach taken by the Chief Investment Officer (CIO) of MIAL today.

MIAL's global Investment Beliefs support the trustee's commitment to the Principles for Responsible Investment (PRI). The trustee recognises international and regional guidance for investors such as the Financial Services Council's Internal Governance and Asset Stewardship Code. Mercer's *Investing in a Time of Climate Change* report; the Paris Agreement on climate change; and frameworks such as the Global Financial Stability Board Taskforce on Climate-related Financial Disclosure (TCFD) and the United Nations Sustainable Development Goals inform the investment beliefs and approach.

2.2. OUR BELIEFS

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

1. **Environmental, Social and Corporate Governance (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 perspective on risk**, including identifying longer-term 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.
4. **Active ownership** (or stewardship) helps the realisation of long-term value creation by providing investors with an opportunity to enhance the value of companies and markets.
5. **Accessing long-term streams of returns**, rather than focusing on short-term price movements, can add value.

This combined approach to the integration of ESG considerations and investment stewardship is captured by MIAL as a sustainable investment approach. The trustee believes that sustainable investment principles can be applied across asset classes, including: domestic and international shares, sovereign and corporate bonds, property, infrastructure and unlisted assets.

3

ESG INTEGRATION

The trustee believes that ESG risks and opportunities should be assessed by investment managers in security or asset selection and portfolio construction. Examples of ESG factors include:

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

The following key principles underpin the trustee’s approach to ESG integration. MIAL, through their management of the investment options will:

- Inform its appointed investment managers, consultants and other relevant service providers about its expectations in relation to ESG and investment governance.
- Undertake annual reviews of its investment manager ESG ratings, which are the primary means by which MIAL evaluates investment managers’ capability in integrating ESG factors into the investment process, and seek to improve the ESG ratings through engagement with existing managers during the monitoring process and in the selection of new managers.
- Promote the trustee’s expectations in respect of ESG integration as a Mercer ESG 3 Rating and above, where practicable (with ESG 1 being the highest and ESG 4 being the lowest rating), as a formal part of investment manager selection and review processes. Comparisons are also made with the appropriate universe of strategies in Mercer’s Global Investment Management Database.
- Provide oversight where ESG factors require a whole of portfolio view due to the systemic nature of a particular risk or where there may be thematic opportunities to consider. Themes which may affect investment decisions in regard to systemic risks such as climate change, and energy and resource constraints may form part of long term asset allocation or sector level decisions where deemed beneficial for portfolio risk and return expectations.

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SUSTAINABILITY THEMES

Mercer believes that including some exposure to investment managers that identify longer-term environmental and social themes and trends 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 solutions in environmental matters or social areas such as health and education. Selection and monitoring processes for potential and appointed investment managers increasingly consider these exposures in portfolio construction decisions.

4.1. ESG AND SUSTAINABILITY

Mercer believes that ESG factors can be applied across asset classes. However, we acknowledge that the degree of relevance, or materiality, varies, as does the current state of integration by strategies within asset classes. Sustainability themed strategies are more prevalent in equities and real assets (timber, agriculture, infrastructure), less so in other asset classes. These considerations, summarised in Table 2, inform our expectations for investment managers in Mercer’s selection and monitoring processes.

TABLE 2

	Relevance of ESG to Risk/Return Drivers	Current State of ESG Integration (Distribution of Ratings)	Availability of Sustainability-Themed Strategies
Private markets	Medium/high	Medium/high	Low/medium
Infrastructure	High	High	Medium
Timber	High	High	Medium/high
Agriculture	High	Low/medium	Medium/high
Property	High	Medium/high	Low
Listed equity	Medium	Medium	Low/medium
Fixed income	Low	Low	Low
Hedge funds	Low	Low	Low
Impact investments	High	High	Low

* Refers to the percent distribution of ESG1 and 2-rated strategies in MIAL’s investment manager database.

** Refers to the number of institutional-quality sustainability-themed strategies relative to the respective mainstream universe in MIAL’s investment manager database.

*** These are larger universes relative to other asset classes and therefore availability of thematic strategies may be low relative to the universe, but potentially high in absolute number.

NB: Low: >5% Low/medium: 5%-10% Medium: 10%-20% Medium/high: 20%-40% High >40%.

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, required to mitigate the likelihood and severity of physical damages. Each of these changes presents both risks and opportunities to investors, as outlined in Mercer's 2015 *Investing in a Time of Climate Change* report.

Mercer considers these potential financial impacts at a diversified portfolio level, in portfolio construction within asset classes, and in investment manager selection and monitoring processes. Informing our overall approach, the potential financial impacts of climate change are included in Mercer's modelling and ongoing research to estimate the impact on risk and return of physical damage and transition risk factors under multiple climate scenarios. At the investment manager level, Mercer 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.

Mercer recognises 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. Mercer 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.

Mercer's approach to climate-related financial risks and opportunities are summarised below consistent with the framework recommended in 2017 by the Financial Stability Board's TCFD. Disclosure consistent with the TCFD recommendations are also expected of appointed investment managers.

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

- **Governance:** Nominated members of the Board and the Management team have oversight of MIAL's approach to climate-related risks and opportunities, with support provided from MIAL's Responsible Investment team.
- **Strategy:** Climate-related scenario analysis is undertaken as part of strategy reviews on the diversified MIAL Funds. Portfolio construction within asset classes is undertaken with a consideration of climate-related risks and opportunities under different climate scenarios.
- **Risk Management:** Risk reduction strategies to decarbonise the portfolio and identify new low-carbon opportunities include adding exposure to sustainability themed investment managers and review of passively managed index exposures. In addition, MIAL participates in industry wide engagement to encourage successful implementation of the Paris Agreement in an effort to minimise future systemic risk associated with climate change.
- **Targets/Metrics:** Metrics, such as carbon foot printing, 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 carbon intensity and other measures of climate change risk to evolve as data becomes increasingly available and reliable.

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APPLICABLE ASSET CLASSES

Mercer believes that climate change risks are applicable, to varying degrees, across most asset classes. The bulk of our activity has focused on listed equities and sustainability themed private markets investments; however, we are broadening our approach to more actively include additional asset classes. As climate change expertise continues to evolve, we will review and update our views and approaches accordingly.

6.1. APPLICATION TO DIFFERENT INVESTMENT STRUCTURES

Mercer's investment arrangements are a combination of separate mandates with investment managers, investments in pooled vehicles, and direct investments. Appropriate approaches to ESG integration and sustainability themed investing are expected across these different investment arrangements, including quantitative and passively managed approaches.

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

To implement this policy in listed domestic and international equities, Mercer will inform all of its external investment managers, and other service providers that Mercer will:

- Regularly monitor the progress of equity investment managers and their ESG integration progress
- Promote the Trustee's expectations in respect of ESG and sustainability themed investments as a formal part of the firm's investment manager selection and review process
- Report on the progress of MIAL's policy implementation to the Trustee and investors, via the Trusts' websites and via regular reports.

6.2. INVESTMENTS IN QUANTITATIVE AND PASSIVELY MANAGED FUNDS

Mercer invests in some investment products in which the holding of any particular company is the result of a quantitative investment or a passively managed process. In these cases, Mercer will write to the investment managers concerned to encourage them, where appropriate, to consider how the policy may be of relevance and to encourage such managers to engage with the companies through collaborative networks on ESG matters. In addition, managers can be asked about risk metrics associated with ESG themes and for quantitative managers specifically, the scope for these to be incorporated into quantitative models.

6.3. INVESTMENTS IN POOLED VEHICLES

Mercer also invests in pooled vehicles and these products 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's Trustee retains ultimate responsibility for meeting the firm's aspirations in regard to investing in a sustainable manner and for the firm's share in such vehicles. Mercer will, where appropriate, seek to monitor significant ESG issues that arise within a pooled investment.

6.4. INVESTMENTS IN UNLISTED COMPANIES AND ALTERNATIVE ASSET CLASSES

Mercer 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. Mercer considers sustainable property and infrastructure characteristics within the relevant portfolios for both Mercer's direct and listed property and infrastructure funds. Mercer 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, Mercer will monitor investments that are potentially exposed to climate change impacts and incorporate this within an assessment of the portfolio from time to time.

6.5. DOMESTIC AND GLOBAL BONDS

Mercer investment in domestic bonds and global bonds can include consideration of ESG through portfolio positioning that is focussed on long term thematic driven views. ESG may be considered as part of alpha generating ideas in the context of country and credit decisions, for example. ESG issues may be considered as part of specific issue selection, or incorporated in decision making processes.

ACTIVE OWNERSHIP

This policy governs Mercer's share voting and company engagement activities and pertains to Mercer ownership of domestic and international shares on behalf of investors in Mercer Multi-Manager funds. Where possible, Mercer will aim to apply this policy to all shares, however, it does not apply in full to shares held in pooled investment vehicles. This policy will be reviewed regularly and should be read in conjunction with the Mercer Funds Sustainable Investment Policy.

The following key principles underpin the Mercer Funds Active Ownership policy:

- 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;
- MIAL ensures all votes are evaluated and voted for all company resolutions, unless there is a conflict of interest that would prevent this from occurring;
- Voting records are maintained; Voting results are published on the Trusts' websites, on a six-monthly basis.

7.1. MERCER AS AN ACTIVE OWNER

Mercer is a long-term institutional investor and a 'universal' owner and for these reasons Mercer regards investment governance and active ownership of particular importance in serving the interests of our customers. This policy, and the actions governed by this policy, represents Mercer's commitment to industry standards of good governance. Mercer's investment governance approach has four main components:

- Share voting
- Corporate engagement
- Public policy participation
- Disclosure

7.2. 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 Mercer management (refer to engagement section below). Voting is also an effective way for Mercer and other investors to publicly express views on what a company is doing, and where a company may need to change. For this reason, Mercer typically votes unambiguously 'for' or 'against' all company proposals in order to send a clear signal to the company. However, it may be that Mercer or its investment managers will vote 'abstain' as part of the engagement process – for instance, Mercer may signal to a company our desire for change by voting 'abstain' while simultaneously informing the company's Board that if change is not sufficient future votes may be 'against' rather than 'abstain'. (Of necessity, there will also be other types of votes that may be driven by regulatory requirements or the circumstances of individual jurisdictions – for instance an 'abstain' or 'take no action' in circumstances where there has been a share issuance and the manager has participated in that issuance.)

Mercer appoints and fully utilises a proxy voting advisor for domestic and international equities for their voting execution platform, research report coverage, and aggregated reporting. With this support, Mercer adopts the following approaches in domestic and international markets:

The decision on how to vote ultimately rests with Mercer, with oversight provided by dedicated Mercer investment professionals tasked with management of compliance with the Mercer Active Owners Policy.

In the first instance, Mercer's policy will reflect Mercer's appointed proxy voting advisor's position. The proxy voting advisor issues a report recommending 'for', 'against', or 'abstain / take no action' according to their assessment of each resolution on the basis of their guidelines for good governance in each market. Should investment managers wish to vote differently to the proxy advisor's recommendation, they may do so but are requested to document their reasons – a 'comply or explain' procedure. Mercer regards this explanation from managers as critical, as investment managers may have a detailed knowledge of both the governance and operations of the portfolio companies and we encourage dialogue between Mercer as the ultimate fiduciary and its managers. Mercer accepts that by enabling managers to vote differently, based on their deep knowledge of company specific governance and strategy issues, this may result in 'split votes' where Mercer's investment managers vote differently on a resolution.

7.3. TAKING A 'SUPER VOTE'

Mercer has the authority to vote in a single vote or 'Super Vote' which overrides the proxy advisor and all manager votes on any resolution in circumstances where Mercer believes such a vote on a significant matter is necessary. Ultimately the decision to undertake a 'Super Vote' is based on Mercer's view of the long-term interests of its customers. In determining such votes, Mercer 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 Association of Superannuation Trustees of Australia (ASFA), the Financial Services Council (FSC) and the International Corporate Governance Network (ICGN).

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.
- **Stock lending:** At the time of writing, Mercer in the Pacific does not have an active share lending program. Should Mercer have an active share lending program in future, where there is a significant vote, or where Mercer is a major shareholder, Mercer will seek to recall the shares from loan and vote those shares, particularly where our vote on a resolution is 'no' or 'abstain'.
- **Pooled vehicles:** Mercer has some investments in pooled vehicles where the investment manager, not Mercer, has the legal right to vote the shares contained in the pooled vehicle. In these cases Mercer 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 Mercer '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.

Mercer 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 Mercer will not vote shares that it may hold.

7.4. CORPORATE ENGAGEMENT

Corporate engagement means to have 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 Mercer 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. In general these discussions will be conducted on a confidential basis to encourage trust and openness thereby increasing the likelihood of beneficial change.

In most instances, corporate engagement 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. In certain circumstances, Mercer may engage directly on a matter deemed significant, particularly where engagement is related to proxy voting activities outlined above.

7.5. SUPPORTING INDUSTRY-WIDE INITIATIVES

As a leading provider and asset owner in the industry, Mercer will keep apprised of, and participate as appropriate, in collaborative industry engagement initiatives on areas of concern or opportunity to improve the long term sustainability of the capital markets in which we invest. Mercer will give consideration to the developments within relevant industry groups, such as the Investor Group on Climate Change (IGCC), the Responsible Investment Association Australasia (RIAA) and the United Nations Principles of Responsible Investment (PRI).

7.6. PUBLIC POLICY PARTICIPATION

Mercer 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 customers.

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.

7.7. DISCLOSURE

In the interests of transparency for our customers, 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 relevant Board meetings on a six monthly basis. Information about the voting policy on the website will be kept up to date.

EXCLUSIONS

As an overarching principle, Mercer is committed to investing responsibly and prefers an integration and engagement-based approach as outlined above. 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, client expectations, ability to influence, and expected impact on portfolio returns.

Mercer has developed an internal Investment Exclusions Framework which will guide its decisions around any potential exclusions and how these are implemented. The key components of the Investment Exclusions Framework are outlined below.

8.1. EXCLUSIONS CRITERIA

When considering any potential exclusion, MSAL will undertake an assessment using the following exclusion criteria:

- 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.
- Whether the exclusion will have a positive / immaterial / negative impact on risk-adjusted returns, consistent with fiduciary obligations.
- Whether MSAL is of the view that the product, service or activity causes substantial and irreparable harm to society.
- Whether exclusion is consistent with Mercer's purpose to create a positive impact on the businesses, people and communities we serve and our mission to help our clients and customers advance their health, wealth and careers.
- Whether other responsible investment approaches, such as company engagement, are expected to have efficacy in addressing the issue of concern.
- Whether the exclusion is aligned with the expectations of our clients (customers and members), both current and prospective.
- Whether the exclusion is likely to reduce reputational risk of Mercer and/or our clients.

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

8.2. IMPLEMENTATIONS

Mercer 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.

Mercer will apply this framework to its direct investments, through its Investment Management Agreements with its external investment managers. Where Mercer 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, Mercer 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, MSAL 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 Mercer's definition. This is acceptable provided there is broad consistency with the Mercer 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.

8.3. CURRENT EXCLUSIONS

As of December 2017, MSAL approved the following exclusions based on the exclusion principles outlined above:

- **Controversial Weapons:** Companies that manufacture whole weapons systems, components, 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.
- **Tobacco Companies:** Companies identified under the General Industry Classification System as Tobacco (Industry Code 302030) or who derive 50% or more of revenue from tobacco-related business activities. The 50% revenue threshold reflects the GICS classification standard and is provided to cover any private companies that may not be covered by GICS.

Full implementation of these exclusions is expected by calendar year end 2018.

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POLICY GOVERNANCE

Mercer Investments (Australia) Ltd (MIAL) is the owner of the policy. Mercer's Responsible Investment team supports and 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.

APPENDIX A

REVISION HISTORY

Version	Reason for amendment	Date Approved by MIAL Board
1.	Inclusion of Sustainable Investment Policy within broader governance framework.	15 November 2017
2	Inclusion of Exclusions into Sustainable Investment Policy	15 June 2018

APPENDIX B

ASSOCIATED DOCUMENTS

Document Name	Summary
Policy – Investment Philosophy and Strategy Process – Approved 15 November 2017.docx	Investment Philosophy and Strategy Process
Policy – Investment Selection – Approved 15 November 2017.docx	Investment Selection
Policy – Rebalancing – Approved 15 November 2017.docx	Rebalancing
Policy – Investment Performance Monitoring – Approved 15 November 2017.docx	Investment Performance Monitoring
Policy – Liquidity Management – Approved 15 November 2017.docx	Liquidity Management
Policy – Derivatives Policy for Mercer Funds – Approved 15 November 2017.docx	Derivatives Policy for Mercer Funds
Policy – Sustainable Investment – Approved 15 November 2017.docx	Sustainable Investment Policy



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MERCER

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