

Sustainable Investment Information booklet

15 September 2025

The information in this document forms part of the following Product Disclosure Statements (PDS) dated 1 January 2026:

- Employer Super in the Corporate Superannuation Division (CSD)
- Mercer Business Super – Corporate and Retained category in the CSD
- Mercer SmartSuper in the CSD
- Employer Section of the Mercer SmartSuper Plan in the CSD
- Individual Section of the Mercer SmartSuper Plan in the CSD
- Uniting Church in Australia Beneficiary Fund in the CSD
- Chevron Australia Super Plan – Family section and Retained Family section in the CSD
- Anglican Superannuation Plan – Family members and Community category in the CSD
- Macquarie Group Super Plan – Accumulation and Retained category in the CSD
- Macquarie Group Super Plan - Overseas Assignee and Retained category in the CSD
- Macquarie Group Super Plan – Family and Retained category in the CSD
- Mercer Tailored Super in the CSD
- Mercer Tailored Super – Coles Group in the CSD
- Santos Superannuation Plan in the CSD
- Lutheran Super Plan in the CSD
- ARC Super Plan in the CSD
- Westpac Group Plan – Family and Contractor Category in the CSD
- Mercer MyChoice in the Retail Division
- Mercer SmartRetirement Income.

Contents

About this booklet.....	3
1. The Trustee's Sustainable Investment Approach.....	5
2. Mercer Managed Investment Options – Screens.....	6
3. Mercer Managed Investment Options – Mercer Sustainable Options.....	7
4. Mercer Managed Investment Options – Screening List and Exceptions.....	10
5. Mercer Managed Investment Options – ESG Integration.....	11
6. Mercer Managed Investment Options – Stewardship.....	12
7. Mercer Sustainable Options – Sustainability-themed Investing.....	13
8. Mercer Managed Investment Options – Climate Change.....	14
9. Macquarie Managed Investment Options.....	15
10. JANA Managed Investment Options.....	20
Glossary.....	21
How to contact us.....	23

Issued by Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533 Australian Financial Services Licence (AFSL) #235906.

MSAL is the trustee of the Mercer Super Trust ABN 19 905 422 981. In this Booklet, MSAL is referred to as 'trustee', 'we', 'our' or 'us'.

The trustee has appointed the following providers which are named in this Booklet and have consented to being so named:

- Mercer Investments (Australia) Limited (MIAL) ABN 66 008 612 397 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 a number of underlying investment funds (the Mercer Funds). The Mercer Super Trust invests in the Mercer Funds.
- The Macquarie Ready-made investment options invest in funds for which Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFSL #238321 acts as the responsible entity and Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL #237843 is the investment manager, collectively referred to as 'Macquarie'.
- For the JANA Ready-made investment options, the trustee has appointed JANA Investment Advisers Pty Ltd (JANA), ABN 97 006 717 568 AFSL #230693 as an implemented consultant to provide investment strategy advice, portfolio management and implementation services including investment manager selection and monitoring.

MSAL and MIAL are wholly owned subsidiaries of Mercer (Australia) Pty Ltd (MAPL) ABN 32 005 315 917, which is part of the Mercer global group of companies (Mercer).

MSAL is responsible for the contents of this Booklet and is the issuer of this Booklet. MAPL, MIAL, Macquarie, JANA or your Employer (if applicable) are not responsible for the issue of, or any statements in this Booklet. They do not make any recommendation or provide any opinion regarding an investment in it.

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

The material contained in this document is based on information received in good faith from sources within the market and on our understanding of legislation and government press releases at the date of publication which we believe to be reliable and accurate. Neither Mercer nor any of its related parties accept any responsibility for any inaccuracy.

You can find more information about the investment options applicable to your Plan in your PDS and the incorporated booklets that are part of the PDS.

'MERCER' and Mercer SmartPath® are Australian registered trademarks of MAPL.

About this booklet

This *Sustainable Investment Information* booklet (**Booklet**) provides important information about the sustainable investment approach taken in the Mercer Super Trust. It contains information relating to both sustainability labelled and non-sustainability labelled investment options. This Booklet should be read in conjunction with the Product Disclosure Statement (**PDS**) and *Investments* booklet applicable to your Plan (as defined in the PDS).

You should consider the information in this Booklet, the PDS and the other incorporated booklets that are part of the PDS before making a decision about your super. You can get a copy of the PDS and the incorporated booklets at mercersuper.com.au/pds or by calling the Helpline.

How to read this Booklet?

This Booklet sets out the sustainable investment approach taken in the Mercer Super Trust (MST). For more information on:

- Mercer Managed Investment Options, refer to Sections 2 to 8 of this Booklet.
- Macquarie Managed Investment Options, refer to Section 9 of this Booklet. While these options do consider certain environmental, social and governance (ESG) factors, they are not designed for members whose primary objectives include consideration of ESG factors or meeting specific ESG goals. Sections 2 to 8 and Section 10 of this Booklet do not apply to these options.
- JANA Managed Investment Options, refer to Section 10 of this Booklet. Sections 2 to 8 and Section 9 of this Booklet do not apply to these options.

It is important that you understand the information in this Booklet. Ask us or a person you trust, such as your financial adviser, for help if you have difficulty understanding any information about your super or the options available to you.

If you are having difficulty due to a disability, understanding English or for any other reason, we have accessibility support. Please contact our Helpline.

Your Employer is as defined in your PDS or the *Your Plan Details* guide.

See the Glossary at the end of this Booklet for clarification on capitalised terms used in this Booklet.

Understanding your investments

The Mercer Super Trust invests predominantly in investment funds for which MIAL (Mercer Investments) acts as responsible entity. Mercer Investments selects, appoints, replaces and evaluates investment managers for the Mercer Funds. Mercer Investments do not directly select securities; instead, they rely on specialist third-party investment managers to invest on their behalf.

Mercer Investments 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.

For the Mercer Super Trust investment options that invest in the Mercer Funds, referred to as the '**Mercer Managed Investment Options**', the trustee has appointed MIAL as an implemented consultant to provide investment strategy advice, portfolio management and implementation services, including investment manager selection and monitoring.

For the Mercer Super Trust's Macquarie Ready-made Options, available in the CSD, referred to as the '**Macquarie Managed Investment Options**', the trustee has appointed MIAL as the implemented consultant. These options invest in funds for which Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFSL #238321 acts as the responsible entity and Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL #237843 is the investment manager, collectively referred to as '**Macquarie**'.

For the Mercer Super Trust's JANA Ready-made Options, available in the CSD, referred to as the '**JANA Managed Investment Options**', the trustee has appointed JANA Investment Advisers Pty Ltd (**JANA**) ABN 97 006 717 568 AFSL #230693 as an implemented consultant to provide investment strategy advice, portfolio management and implementation services, including investment manager selection and monitoring.

MSAL, MIAL, Macquarie and JANA are named in this Booklet and have consented to being so named. MSAL and MIAL are wholly owned subsidiaries of Mercer (Australia) Pty Ltd (**MAPL**) ABN 32 005 315 917, which is part of the Mercer global group of companies (**Mercer**).

Sections 2 to 8 of this Booklet are only applicable to the Mercer Managed Investment Options. Section 9 is only applicable to the Macquarie Managed Investment Options. Section 10 is only applicable to the JANA Managed Investment Options.

The trustee does not impose any specific sustainability and ESG requirements for any investments available to you through Mercer Direct (if applicable to your Plan).

Updated information

The information in this Booklet, the PDS and the other information booklets that are part of the PDS are current as at the date of publication. Information in this Booklet may change from time to time and if it is not materially adverse, will be made available online at mercersuper.com.au/pds.

A paper copy of any updated information will be given or an electronic copy made available on request at no charge by calling the Helpline.

We will advise you directly of any material changes as required by law.

This Booklet contains general information only and does not take into account your individual objectives, personal financial situation or needs. Before acting on this information, you should consider whether it is appropriate to your individual objectives, personal financial situation and needs. You should get financial advice tailored to your personal circumstances. The Target Market Determinations for products offered within the Mercer Super Trust can be found at mercersuper.com.au/tmd.

1. The Trustee's Sustainable Investment Approach

Sustainable investment is a term the trustee uses to describe a range of approaches to investment that have regard to how ESG factors - including systemic sustainability topics such as climate change - may impact future investment outcomes and therefore the financial interests of members.

Sustainable investment and related practices may mean different things to different investors. The trustee has set out below the techniques used to implement its sustainable investment approach, but does not guarantee that these principles or implementation techniques align with the individual sustainability beliefs or preferences of any given member.

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

- ESG factors may have an impact on long-term risk and return outcomes, if they are integrated into the investment process.
- 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.
- Taking a broad and long-term perspective on risk, including identifying sustainability themes and trends, may improve longer-term risk adjusted returns.
- Stewardship may support the realisation of long-term shareholder value by providing investors with an opportunity to enhance the value of companies and markets.
- An integration and engagement-based approach to sustainable investing rather than a screenings-based approach is preferred. However, in a limited number of instances, screening of certain investments may be appropriate.

The trustee believes that a sustainable investment approach that considers these risks and opportunities may be in the best long-term financial interests of members.

These principles are not implemented absolutely nor uniformly across all holdings, strategies, managers or options. Further information on the application of the beliefs is contained in the relevant sections in this document.

For the Mercer Managed Investment Options, the trustee seeks to implement its sustainable investment approach using some or all of the following techniques:

- **Screens** that seek to avoid investment in, or remove or reduce exposure to, certain companies or securities with involvement in defined products or business activities, outlined in section '2. Mercer Managed Investment Options – Screens' and section '3. Mercer Managed Investment Options — Mercer Sustainable Options' of this Booklet.
- **Integration** of ESG factors in relevant investment decisions. An example of this, includes appointing investment managers who assess and reflect ESG risks and opportunities when they select investments and construct their portfolios. ESG factors include those outlined in section '5. Mercer Managed Investment Options — ESG Integration' of this Booklet.
- **Stewardship**, via engagement with investment managers, companies, and policymakers and/or via proxy voting at listed company annual general meetings. This can include both direct engagement with the abovementioned groups, such as monitoring of investment managers, or engagement that appointed investment managers undertake with companies. Stewardship activities are outlined in section '6. Mercer Managed Investment Options — Stewardship' of this Booklet.
- **Investment** in sustainability themes, which is only applicable to the Mercer Sustainable Options is outlined in section '7. Mercer Sustainable Options — Sustainability-themed Investing' of this Booklet.

The trustee's approach to climate change as a systemic topic, addressed through the techniques outlined above, is summarised in section '8. Mercer Managed Investment Options — Climate Change' of this booklet.

The trustee implements this approach for the Mercer Managed Investment Options through its implemented consulting arrangement with Mercer Investments and, in doing so, adopts the sustainable investment approach outlined in sections 2-8 of this Booklet.

The approach for the Macquarie Managed Investment Options is outlined in section '9. Macquarie Managed Investment Options' of this Booklet.

The approach for the JANA Managed Investment Options is outlined in section '10. JANA Managed Investment Options' of this Booklet.

2. Mercer Managed Investment Options – Screens

For the Mercer Managed Investment Options, the trustee has created a set of Screening Criteria seeking to avoid investing in, or removing or reducing exposure to, certain companies with involvement in defined products or business activities.

As at the date of this Booklet, the following Screening Criteria is expected to be applied to the Directed Investments, unless an operational limitation or exception, or other factors beyond Mercer Investment's reasonable control, mean they are not possible to apply. Refer to section '4. Mercer Managed Investment Options — Screening List and Exceptions' in this Booklet for more information.

The trustee reserves the right to implement other screens, or to amend or remove certain screens, at its discretion, having regard to how they may impact future investment outcomes and members' financial interests.

Screens	Screening Criteria
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. Companies that have involvement ¹ in the production or retailing of automatic or semi-automatic civilian firearms and/or ammunition.
Tobacco companies	Companies that have involvement ¹ 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, for example, nicotine vaping products e.g. 'vaping' devices and e-cigarettes. Any other company that derives greater than 50% of revenue ² from tobacco-related distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.
Russian securities	Russian securities mean: • Shares – for publicly held companies with Russia as 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 (as per Shares definition above) plus Russian sovereign bonds and bonds issued by Russian government-related entities (Rouble or foreign currency denominated) • Cash holdings in Russian currency • Russian foreign exchange exposure • 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.

¹ The definition of involvement is determined by the third party ESG research provider and is subject to change. It is typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure. Mercer Investments does not have any control over the definition of involvement determined by the third party ESG research provider.

² Gross revenue in the last full financial year or, where not available, net revenues based on available company filings.

If a security is assessed by the third party ESG research provider as meeting the Screening Criteria and is included on the Screening List, the investment managers will generally be expected to divest the investment within a reasonable period of time, typically within 10 business days, and as market conditions allow, subject to certain Exceptions. See section '4. Mercer Managed Investment Options — Screening List and Exceptions' in this Booklet for more information.

3. Mercer Managed Investment Options – Mercer Sustainable Options

The Mercer Managed Investment Options include the Mercer Sustainable Options, which provide members access to sustainable labelled options that invest in multiple asset classes and incorporate an additional sustainability approach in some asset classes.

The Mercer Sustainable Options include:

- Mercer Sustainable High Growth
- Taxed Mercer Sustainable High Growth
- Mercer Sustainable Conservative Growth
- Taxed Mercer Sustainable Conservative Growth.

The Mercer Sustainable Options are available in most of the Mercer Super superannuation plans listed on the cover page of this document.

Investment risk and return considerations

Applying additional screens in your superannuation investments may affect investment risks and returns. For example, the Mercer Sustainable Options may apply screens to investment in companies or sectors that aren't typically screened in other investment options. If those screened 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 screens are not applied.

Additional sustainability approach

The Global Shares and Global Credit assets of the Mercer Sustainable Options are invested in sustainable-labelled Collective Investment Vehicles (CIVs) managed by Mercer Investments, which incorporate additional sustainable investment considerations into their investment process.

The additional sustainability approach includes:

- Investment in sustainability themes as detailed in section '7. Mercer Sustainable Options — Sustainability-themed Investing'; and
- Seeking to exclude or reduce investments that meet the Additional Screening Criteria outlined in the table on the following page.

Additional Screening Criteria for the Mercer Sustainable Options

In addition to the Screening Criteria outlined in section '2. Mercer Managed Investment Options — Screens', the Additional Screening Criteria, detailed in the tables below, are applied to the Global Shares and Global Credit asset classes within the Mercer Sustainable Options.

These Additional Screening Criteria are not applied to other asset classes within these options and are also subject to the Exceptions. Refer to section '4. Mercer Managed Investment Options — Screening List and Exceptions' in this Booklet for more information.

This means that the Mercer Sustainable Options may still be invested in companies that:

- Have shareholdings in screened companies or securities
- Buy, sell or process products from screened companies or securities
- Provide products and services to screened companies or securities
- May meet the Additional Screening Criteria.

The trustee also reserves the right to implement other screens, or to amend or remove certain screens, at its discretion having regard to member best financial interests. We will advise you directly of any material changes as required by law.

Each Mercer Sustainable Option can be invested in one or more asset classes such as Australian Shares, Global Shares, Real Assets, Alternative Assets, Growth Fixed Interest or Defensive Fixed Interest (including Global Credit) and Cash, the Additional Screening Criteria do not apply to all asset classes. You can check the underlying assets of your investment options at mercercsuper.com.au/investments.

Global Shares Additional Screening Criteria

Additional Screens	Additional Screening Criteria
Nuclear weapons	Companies with involvement ¹ in the development or production of nuclear weapons.
Depleted uranium	Companies with involvement ¹ in the development or production of depleted uranium ammunition/armour.
Adult entertainment	Companies with a material exposure to adult entertainment, alcohol, or gambling, where materiality is defined as greater than 5% of revenue ² in the last financial year for producers and greater than 50% of revenue ² for distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.
Alcohol	
Gambling	
Live animal exports	Companies with involvement ¹ in live animal exports for the purpose of selling live animals for slaughter, husbandry and breeding subjects, including specialised transportation services specifically designed to facilitate live exports.
Thermal coal mining	Companies that derive greater than 5% of revenue ² from thermal coal mining.
Oil sands production	Companies that derive greater than 5% of their revenue ² from oil sands production.
Arctic drilling	Companies engaged in arctic drilling for oil and gas, including production or exploration.
Hydraulic fracking	Companies that derive greater than 5% of revenue ² from hydraulic fracking.
Uranium mining	Companies that derive greater than 5% of revenue ² from uranium mining.
Thermal coal power generation expansion	Companies with involvement ¹ in expansion of thermal coal power generation operations and plants.
Fossil fuels	Companies that own proved or probable reserves in coal, oil or gas and derive greater than 5% of revenue² from exploration and/or extraction of coal, oil, or gas; or companies with a primary business activity in any of the screened sub-sectors below: • Oil and gas drilling • Oil and gas equipment and services • Integrated oil and gas • Oil and gas exploration and production • Thermal coal and consumable fossil fuels Where referred to above, 'coal, oil or gas' includes fuels derived from conventional and unconventional sources such as tar sands or shale.

¹ The definition of involvement is determined by the third party ESG research provider and is subject to change. It is typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure. Mercer Investments does not have any control over the definition of involvement determined by the third party ESG research provider.

² Gross revenue in the last full financial year or, where not available, net revenues based on available company filings.

Global Credit Additional Screening Criteria

Additional Screens	Additional Screening Criteria
Nuclear weapons	Companies with involvement ¹ in the development or production of nuclear weapons.
Depleted uranium	Companies with involvement ¹ in the development or production of depleted uranium ammunition/armour.
Tobacco	Companies with involvement ¹ 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, for example, nicotine vaping products e.g. 'vaping' devices and e-cigarettes. Any other company that derives greater than 10% of revenue ² from tobacco-related distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.
Cannabis	Companies that derive greater than 10% of revenue ² from cannabis (medicinal or recreational) production, distribution or services.
Adult entertainment	Companies with a material exposure to adult entertainment, alcohol or gambling, where materiality is defined as greater than 10% of revenue ² from production and/or distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.
Alcohol	
Gambling	
Live animal exports	Companies that derive greater than 10% of revenue ² from live animal export for the purpose of selling live animals for slaughter, husbandry and breeding subjects, including specialised transportation services specifically designed to facilitate live exports.
Animal fur production	Companies that derive greater than 5% of revenue ² from fur production.
Saudi Arabia	Saudi Arabian securities, defined by country of incorporation or where the security has a primary listing in Saudi Arabia, including subsidiaries.
Thermal coal mining	Companies that derive greater than 5% of revenue ² from thermal coal mining.
Oil sands production	Companies that derive greater than 5% of revenue ² from oil sands production.
Fossil fuels	Companies that own proved or probable reserves in coal, oil or gas and derive greater than 15% of revenue² from exploration and/or extraction of coal, oil, or gas; or companies with a primary business activity in any of the screened sub-sectors below: • Oil and gas drilling • Oil and gas equipment and services • Integrated oil and gas • Oil and gas exploration and production • Thermal coal and consumable fossil fuels Where referred to above, 'coal, oil or gas' includes fuels derived from conventional and unconventional sources such as tar sands or shale.

¹ The definition of involvement is determined by the third party ESG research provider and is subject to change. It is typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure. Mercer Investments does not have any control over the definition of involvement determined by the third party ESG research provider.

² Gross revenue in the last full financial year or, where not available, net revenues based on available company filings.

4. Mercer Managed Investment Options – Screening List and Exceptions

Determining whether companies or securities meet a Screening Criteria or any Additional Screening Criteria

Screens apply to Directed Investments and may not be able to be applied to Indirect Holdings. A Mercer Managed Investment Option may have exposure to both Directed Investments and Indirect Holdings which can change at any time.

For Directed Investments, Mercer Investments engages a third party ESG research provider to create a list of screened securities (**Screening List**) based on the Screening Criteria and any applicable Additional Screening Criteria. The research provider has evaluation and methodology frameworks, underpinning their assessment of which companies or securities to include on the Screening List. The Screening List is updated on a quarterly basis and made available to the investment managers of Directed Investments. The custodian monitors compliance of Directed Investments against the Screening List.

For Indirect Holdings, Mercer Investments may provide the Screening Criteria and Additional Screening Criteria to the investment managers of third party CIVs and request they seek to align with the Screening Criteria and/or Additional Screening Criteria, where relevant and possible. However, there is no expectation that investment managers of third party CIVs would align with the Screening Criteria and/or Additional Screening Criteria.

Operational Limitations and Exceptions

Indirect Holdings in Mercer Managed Investment Options (including the Mercer Sustainable Options) may have exposure to companies or securities that are on the Screening List or may meet the Screening Criteria or (in relation to the Mercer Sustainable Options) Additional Screening Criteria.

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. This means that Mercer Investments will not be able to mandate compliance with the Screening Criteria and/or Additional Screening Criteria for Indirect Holdings.

There may be limited circumstances where Directed Investments may also meet the Screening Criteria and/or Additional Screening Criteria, as follows:

- **Asset transitions:** There are instances when assets or Directed Investments are transitioned into the Mercer Managed Investment Options. In these instances, it may take time for transitioned assets to align with the Screening Criteria or Additional Screening Criteria, as applicable. In these instances, there may be a period of time when Mercer Managed Investment Options are exposed to securities that meet the Screening Criteria or Additional Screening Criteria and investment managers of these transitioned assets will usually be instructed to implement the Screening Criteria and/or Additional Screening Criteria as market conditions allow and in the best financial interests of members.
- **Discretion:** In limited circumstances that may arise from time to time beyond the reasonable control of Mercer Investments, investment managers may hold or acquire a company meeting the Screening Criteria and/or Additional Screening Criteria. This includes where a movement above an screening threshold may be temporary, due to market movements or data lags (for example, availability of company data used to determine company revenue), or where the investment is material to achieving investment objectives. Where this occurs, Mercer Investments will continue to monitor the investment and instruct investment managers to divest having regard to the relevant trustee obligations and relevant laws.
- **Limited reporting:** The third party ESG research providers used by Mercer Investments do not report on all organisations. Their reports cover a substantial subset of the companies available for investment. If managers invest in assets that fall outside the parameters of research available to us, it is possible that investments may be made in entities that would otherwise be screened based on our Screening Criteria or Additional Screening Criteria.
- **Other factors beyond Mercer Investments' control:** There remain some factors that mean a Mercer Managed Investment Option may have exposure to a company or security that meets an Screening Criteria and/or Additional Screening Criteria. These factors may include, for example, market conditions and liquidity, operational or structural constraints, different definitions and methodologies of research providers or where there is a change of a company's revenue mix over a reporting period, data or calculation methodologies.

Subject to the Exceptions outlined above, if a security is included on the Screening List, the investment managers of Directed Investments will generally be expected to divest the investment within a reasonable period of time, typically within 10 business days, as market conditions allow, and in the best financial interests of members.

5. Mercer Managed Investment Options – ESG Integration

Assessing financially material ESG factors within investment decision-making can potentially enhance portfolio resilience. For example, in selecting and appointing investment managers, Mercer Investments aims to assess the extent to which consideration of ESG factors is included in the managers' investment approach for the relevant strategy.¹ Mercer Investments may also engage with appointed investment managers to encourage improvement where identified in our monitoring activities.

Examples of ESG factors that are typically considered in our investment process and by appointed investment managers are shown below. Not all ESG factors are considered in, or relevant to, all parts of the investment process or our decision-making. A key part of incorporating ESG information is determining which factors and information are most relevant and material to which decisions (such as industry specific risks, changing expectations, availability of research and information), and how best to incorporate them. Our oversight is focused on systemic, intersecting topics that potentially pose material financial risk and return implications, such as changes in sustainability, transition and socio-economic risks.

Environmental factors
• Climate change • Natural capital and biodiversity • Waste and pollution
Social factors
• Health and safety • Labour standards and modern slavery, including supply chains • Human rights
Governance factors
• Board diversity, composition and effectiveness • Executive remuneration • Conduct, culture and ethics • Shareholder rights

¹ Application of ESG integration varies according to the type of investment strategies adopted, as integration of ESG factors is not typically applicable to Mercer Passive or Mercer Enhanced Passive options and certain Alternatives and Fixed Interest investments.

6. Mercer Managed Investment Options – Stewardship

For the Mercer Managed Investment Options, Mercer Investments will undertake Stewardship activities on behalf of the trustee under the implemented consulting arrangement. Mercer Investments may undertake Stewardship activities through engagement or proxy voting.¹

Stewardship via engagement

Effective Stewardship and engagement with investment managers, companies and policymakers can play a role in improving investment outcomes by leveraging investor rights and influence and/or gathering additional information to better inform investment decisions.

Engagement may be undertaken with companies or policymakers via appointed investment managers, collaborative initiatives and/or directly by Mercer Investments. Company engagement has the potential to enhance the long-term value of the company by seeking to address material ESG matters of concern.

Where Mercer Investments consider that an engagement with an appointed investment manager or a portfolio company has not yielded the desired outcomes against targeted objectives and timeframes, they may employ various escalation strategies to aim to increase the likelihood of outcomes being met and/or reduce the likelihood of identified risks persisting.

Stewardship via proxy voting

As a shareholder of publicly listed companies, Mercer Investments has the right to vote at shareholder meetings and regards voting its shares as important.

Mercer Investments delegates responsibility for exercising its proxy voting rights to its listed equity investment managers and, where practical, expect the listed equity investment managers to vote in a timely manner and in a manner deemed most likely to protect and enhance long-term value.

Typically, an investment manager's capability in Stewardship is evaluated as part of the investment manager selection process, to seek alignment with Mercer Investments' commitment to good governance and long-term value creation.

Mercer Investments expects its listed equity investment managers and the trustees or managers of collective investment vehicles in which the Mercer Managed Investment Options are invested to establish their own voting policy that sets out the principles and guidelines under which rights to vote are exercised.

Mercer Investments engages the services of a third-party proxy advisor to facilitate the collation and reporting of proxy voting data. Mercer Investment's proxy voting records, where available, can be found at www.multimanager.mercer.com.au/funds/sustainable-investment and are updated semi-annually.

From time to time, an option may hold listed equities in a transition account where the transition manager does not have a voting policy or capability. In these instances, Mercer Investments will seek to vote the shares in the transition account in alignment with the recommendations of the proxy advisor.

Exercising a Priority Vote

While proxy voting decisions are typically carried out by the listed equity investment managers, Mercer Investments retains the right to review investment manager vote intentions and rationale, and potentially align votes in its account in certain circumstances (a "Priority Vote"). There may be resolutions where investment managers intend to vote differently from one another, and in such situations, Mercer may choose to align all votes. In determining such votes, Mercer Investments may consider its proxy advisor's recommendation and the views of its listed equity investment managers. Mercer Investments may also conduct its own research or engage with the relevant company to inform its decision. The trustee may also request that Mercer Investments consider arranging a Priority Vote.

Operational Limitations to Voting

Mercer Investments expects its listed equity investment managers to vote all listed shares on a best endeavours basis. However, there may be circumstances where an investment manager may be unable to participate in a vote. Mercer Investments seeks to reduce the extent of such voting exceptions through monitoring activities and engagement with managers on their voting practices. There may also be circumstances where the investment manager decides that abstaining from a vote may be in the best interests of members. Further details of the circumstances through which voting exceptions can occur can be made available to members upon request.

¹ Application of Stewardship varies according to the type of investment strategies adopted. For example, proxy voting is not applicable to some asset classes (e.g. Alternatives and Fixed Interest investments).

7. Mercer Sustainable Options – Sustainability-themed Investing

Sustainability-themed investing is a component of the additional sustainability approach that only applies to the Mercer Sustainable Options.

Investing in solutions to long-term systemic issues may provide opportunities to improve risk-adjusted returns. Market inefficiencies in pricing transition risks, combined with the development of new technology and sustainable solutions across developed and emerging markets, may create opportunities for investors to capitalise on the transition to a net-zero carbon, nature-positive, and more equitable world.

Examples of these sustainability-themed investment opportunities may include safe and accessible water, sustainable agriculture, renewable energy, green buildings and lower carbon tilted portfolios.

The Global Shares and Global Credit asset classes within the Mercer Sustainable Options are invested in Mercer Investments managed sustainable labelled Collective Investment Vehicles (CIVs) which typically aim for a higher allocation to sustainability themes via the appointed investment managers. In some circumstances, a higher allocation to sustainability themes may not be possible if the allocation does not align with the strategy and objective of the sustainable labelled CIV.

Each Mercer Sustainable Option can be invested in one or more asset classes such as Australian Shares, Global Shares, Real Assets, Alternative Assets, Growth Fixed Interest or Defensive Fixed Interest (including Global Credit) and Cash. Sustainability-themed investing is not implemented in all asset classes or across all investments within a given asset class. You can check the underlying assets of your investment options at mercersuper.com.au/investments/how-your-super-is-invested

The Mercer Sustainable Options are available in the Mercer Super superannuation plans listed on the cover page of this document.

8. Mercer Managed Investment Options – Climate Change

For the Mercer Managed Investment Options, Mercer believes that limiting global average temperature increases this century to 'well below 2°C'¹ is likely aligned to the best financial outcomes for long-term diversified investors.

In 2021, Mercer Australia established a target to achieve net zero absolute portfolio carbon emissions² by 2050 for all assets under management in Australia (including the Mercer Managed Investment Options). Mercer also established an expectation that portfolio carbon emissions would reduce by 45% by 2030, from 2020 baseline levels³ (**Net Zero Target**).

The Net Zero Target is based on the belief that it's likely to be in the best long-term financial interests of members and that we can achieve short-term implementation while still meeting diversified fund objectives.

The Net Zero Target relies on several 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, undertaken three times since 2015, indicating that a 2°C or below scenario is anticipated to be in investors' best financial interests and that aligning with a transition scenario doesn't present additional long-term downside risk if another scenario eventuates.
- 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.
- That the companies that Mercer Investments allocates to, make and act upon appropriate carbon reduction transition commitments.
- An expectation that governments will follow through on their commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions.

The target is expected to be met by following a climate transition plan (the Climate Plan). The Climate Plan broadly 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.
- Targets an appropriate reduction pathway for portfolio carbon emissions, while aware of the connection to reductions in 'real world' atmospheric carbon emissions.

Where relevant and consistent with meeting the stated investment objectives, the Climate Plan seeks to incorporate key sustainable investment principles as follows:

- Integration – incorporating climate metrics in portfolio management including manager monitoring and strategic asset allocation modelling.
- Stewardship – engaging with appointed investment managers, via collaborative initiatives or directly with companies to support decarbonisation and orderly climate transition.
- Sustainable Options also incorporate climate-related themed investment allocations and relevant, additional screening criteria.

Progress towards achieving the stated target will be monitored at least annually, considering carbon intensity reductions, together with transition capacity using Mercer's proprietary Analytics for Climate Transition (ACT) tool. The monitoring may inform changes to the target in the future, which would be communicated to members.

The ACT tool assesses portfolios across a spectrum of transition capacity and potential risk, drawing on carbon emissions metrics together with forward-looking transition indicators.

Mercer seeks to align its approach to climate change with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which are available on their website at fsb-tcfd.org. Where relevant, Mercer also prefers its investment managers to make disclosures consistent with the TCFD recommendations.

¹ We note that the 2015 Paris Agreement has a core goal to limit global average temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees.

² Defined as absolute carbon emissions, per \$M of funds under management (FUM), and Scope 1&2 emissions for the Mercer Funds in aggregate.

³ Per dollar of assets under management.

9. Macquarie Managed Investment Options

The information in this section of the Booklet is only applicable to the Macquarie Managed Investment Options which are only available to the members of the Macquarie Group Super Plan in the CSD of the Mercer Super Trust. Sections 2 to 8 and Section 10 of this Booklet do not apply to the Macquarie Managed Investment Options.

Macquarie Asset Management, which is Macquarie Group's asset management business, invests with long-term horizons, seeks to minimise risk and maximise returns based on the relevant investment objective. It recognises that ESG factors are important for assessing investment risk and that positive performance in these factors may be a potential indicator of management quality and operational performance, which have the potential to create long-term value.

Each individual investment team is responsible for determining whether and how it will identify and incorporate ESG considerations into the investment process and, to the extent relevant, their impact on the selection, retention and/or realisation of the investments of the investment options. In this Section 9, 'Investment team' refers to the Macquarie Asset Management or external investment management team managing the assets.

Macquarie Balanced Growth

ESG factors are not the primary objectives nor primary considerations in the investment process of this investment option. The Macquarie Balanced Growth investment option is not designed for members whose primary objectives include consideration of ESG factors or meeting specific ESG goals, either by screening out particular types of companies or investments for ESG purposes, or as part of the investment process.

Consideration of ESG factors does not imply that this investment option is marketed or authorised as an ESG product.

This investment option provides exposure to a diversified portfolio of growth assets, including shares, with some exposure to cash and fixed interest, and may also provide exposure to alternative assets. It may gain exposure to securities either directly or through funds managed by a member of the Macquarie Group and external managers.

The Investment team managing the Macquarie Balanced Growth investment option does not take into account ESG when determining the asset allocation and when managing any direct investments in the investment option. The Macquarie Balanced Growth investment option also does not apply negative screening.

However, the Investment team or external manager of an underlying fund may apply its own ESG processes and assessments at the underlying portfolio level, including negative screens. The extent to which this applies, will vary depending on the asset class and investment strategy. The ESG approach at the underlying portfolio level will depend on which assets and investment strategies this investment option is exposed to at a given time and the investment option may have exposure to investments which do not consider ESG. ESG considerations are not taken into account for any currency assets or alternative assets this investment option is exposed to at a given time.

Generally, when the Macquarie Balanced Growth investment option is invested in other funds managed by the Investment team, the ESG risk ratings assigned to fixed income, equity and listed real estate securities (as relevant), alongside other factors including expected financial performance, will be considered by the respective Investment team. The proprietary rating frameworks for each asset type is described as follows:

- For fixed income securities, please refer to 'Macquarie Core Plus Australian Fixed Interest' section below for more information on how that Investment team considers ESG factors as part of the overall assessment of an investment case for directly held fixed income securities.
- For listed equities, please refer to the 'Macquarie Wholesale Australian Equities and Macquarie Australian Small Companies' section below for more information on how that Investment team considers ESG risks in its overall investment process.
- For property securities, please refer to the 'Macquarie Property Securities' section below for more information on how that Investment team considers ESG factors in the overall investment process.
- For global listed infrastructure securities, the underlying manager considers ESG factors as part of the overall assessment of an investment case and in the context of other considerations.

The Macquarie Balanced Growth investment option may also have exposure to fixed income or equity securities through underlying funds that take different approaches to ESG.

The investment option may also have exposure to True Index strategies managed by Investment teams. As those strategies provide exposure to the performance of the relevant index, the assets that the respective Investment team invests in will typically closely resemble the exposure of that index.

Macquarie Wholesale Australian Equities and Macquarie Australian Small Companies

The Investment team considers ESG risks in its overall investment process and in the context of other considerations. However, ESG factors are not the primary objectives nor primary considerations in the investment process of these investment options. While these investment options do take into account certain ESG factors and apply negative screens, they are not designed for members whose primary objectives include consideration of ESG factors or meeting specific ESG goals, either by screening out particular types of companies or investments for ESG purposes, or as part of the investment process. Consideration of ESG factors does not imply that these investment options are marketed or authorised as ESG products.

The Investment team uses a proprietary ratings framework, noted below, to assess these risks across the investible universe. The Investment team also considers the potential influence of ESG factors, including labour standards, environmental, social and ethical considerations such as carbon emissions and reduction, modern slavery and corporate governance, on long-term company performance.

Company-specific ESG scores are calculated based on publicly available company level data for each ESG factor such as annual reports and external data sources such as a company's carbon intensity score.

The proprietary ESG scores assigned to a company are assessed by the Investment team in conjunction with our corporate governance score, recognising the correlation between responsible corporate governance practices and positive ESG outcomes. The Investment team considers the scores and any changes in the Investment team's ESG ranking for a company (both positive and negative) alongside other factors, including traditional financial metrics, when determining whether to acquire, retain or dispose of an investment.

It is important to note that the existence of negative ESG factors do not necessarily preclude the Investment team from investing in a security. Material ESG risks are assessed in the context of other factors about the issuer and security within the investment decision-making process. The proprietary ratings methodology is supplemented by access to external tools and resources. From time to time, sustainable investment data may be incomplete, inaccurate or unavailable, resulting in certain investments being incorrectly included or excluded from the investment option. ESG considerations are not taken into account for cash securities, derivatives and investment vehicles such as exchange traded funds.

The Investment team also applies negative screening to preclude the inclusion of securities in the investment option. Subject to the limitations set out below, these investment options do not invest directly in listed public companies that:

- Are classified as being in the 'tobacco' industry according to the Global Industry Classification Standard (GICS®), defined as manufacturers of cigarette and other tobacco products. A company will generally be classified to this sub-industry classification where this definition most closely describes the business activities that generate more than 60% of the company's revenue. The primary source of information used for classification is a company's annual reports and accounts. Other sources include broker reports and other published research literature. The classification is assigned at the company level; meaning all securities, equities or corporate bonds issued by the company will have the same GICS classification as the company. However, if a company's subsidiary files separate financials, that subsidiary is classified independently under GICS. GICS is not assigned to supranationals, municipalities, sovereigns, shell companies, mutual funds or exchange traded funds, or
- Are classified as being involved in 'controversial weapons' determined using third-party data, being companies that are flagged as being directly involved in the manufacturing of cluster munitions, anti-personal landmines, and/or biological and chemical weapons or their components/services that are tailor-made and essential for the lethal use of the weapon or weapon system, where, as determined by the Investment team, revenue generated from such involvement is or exceeds 5% of revenue of the company based on reported revenues, or where revenues are not reported, based on estimated revenue. This category includes companies that wholly own another company with such involvement, where, as determined by the Investment team, revenue generated from such involvement is or exceeds 5% of revenue of the parent company. Gross figures will be used where available, or
- Are classified as being involved in 'adult entertainment' determined using third-party data, being companies that are flagged as companies that are involved in the production or distribution of adult entertainment and/or own/operate adult entertainment establishments, where, as determined by the Investment team, revenue generated from such involvement is or exceeds 5% of the total revenue of the company based on reported revenues or, where revenues are not reported, based on estimated revenue. This category includes companies that own 10% or more of another company with such involvement, where, revenue generated from such involvement is or exceeds 5% of revenue of the parent company. Net figures will be used where available.

Generally, the following entities are not eligible for classification: extinct entities or those with no publicly available information that can be researched, foundations/charitable institutions, government institutions, educational institutions and public/private funds (non-REIT) that are not corporate-like issuers.

The investment option may have incidental or unintended indirect exposure to companies that are defined as 'tobacco', 'controversial weapons' or 'adult entertainment' companies through other investments, such as exchange traded funds, derivatives, investment vehicles and other financial instruments, or due to changes in corporate activity. The investment option may have exposure to securities of companies involved in tobacco that are not classified as manufacturers of cigarette and other tobacco products under GICS (for example, tobacco distributors or retailers), or that are not classified under GICS, or to securities of companies involved in 'controversial weapons' or 'adult entertainment' that are not classified as having such involvement using third-party data.

Where the investment option invests into another fund, the extent to which the Investment team of an underlying fund applies its respective ESG processes and assessments at the underlying portfolio level, including any negative screening, will vary depending on the securities exposures and investment strategy. Therefore, this can result in the investment option indirectly holding certain investments which do not consider ESG.

GICS is the trademark of Standard & Poor's Financial Services LLC and MSCI.

The Investment team uses a combination of company engagement and proxy voting to engage with companies on ESG issues. At the core of the Investment team's engagement strategy is positive and proactive engagement with select companies, with the aim being to improve a process, disclosure or environmental/societal outcome. The nature and frequency of the dialogue depends on the portfolio weighting, stage of the engagement, severity of the issue and the willingness of the company to engage. It is difficult to draw a direct correlation between the Investment team's engagement activities and a company's actions as the investment option generally make small, non-controlling investments.

The Investment team's assessment of ESG factors in the investment option is predominantly done systematically through quantitative modelling. Factors feeding into this quantitative modelling (including those related to ESG risks) are reviewed periodically by the Investment team. Application of the negative screen is monitored on an ongoing basis. Issuers of securities in the investment option may fail to meet the Investment team's or the data provider's ESG criteria from time to time. The Investment team will seek to remove an investment that meets the negative screening criteria as soon as reasonably practicable, while seeking to minimise the impact on the investment option.

Macquarie Property Securities

The Investment team considers ESG factors in the overall investment process. However, ESG factors are not the primary objectives nor primary considerations in the investment process of the investment option. The Investment team uses a proprietary ratings framework to assess ESG factors across the investible universe. While the investment option does take into account certain ESG factors and apply negative screens, the investment option is not designed for members whose primary objectives include consideration of ESG factors or meeting specific ESG goals, either by screening out particular types of companies or investments for ESG purposes, or as part of the investment process. Consideration of ESG factors does not imply that the investment option is marketed or authorised as ESG products.

The Investment team uses data from public sources such as annual reports, as well as obtaining information through its in-depth research and fundamental analysis of a security. It applies a three-stage bottom-up fundamental process that assesses quality, volatility and valuation. Assessment of ESG is part of the first step in the investment process, the assessment of quality. The Investment team may choose to consider various ESG factors as part of its investment process. These factors are weighted according to the materiality and relevance for each security in the portfolio. Assessment of ESG factors will impact the quality score and the Investment team will also consider other factors such as financial performance. Generally, securities with higher ESG scores may have a higher quality score and may be allocated a greater portfolio weight than a security with a lower quality (and ESG) score.

It is important to note that the existence of negative ESG factors does not necessarily preclude the Investment team from investing in a security. Material ESG risks are assessed in the context of other factors about the issuer and security within the investment decision-making process.

Subject to the limitations set out below, the investment option does not invest directly in public companies that:

- Manufacture tobacco products or supply tobacco related products/services, identified using third-party data. This category includes companies that own 50% or more of another company involved in the manufacture of tobacco products or supplying tobacco-related products/services, or
- Derive more than 5% of company revenue from the distribution and/or retail sale of tobacco products (includes revenue from companies that are more than 50% owned and directly involved in such activity), based on reported net company revenues or, where revenues are not reported, based on estimated revenues, or
- Manufacture anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium ammunition, nuclear weapons or white phosphorus, and their components/services that are tailor-made and essential for the lethal use of the weapon. This category includes companies that own 50% or more of such companies.

Generally, the following entities are not eligible for classification: extinct entities or those with no publicly available information that can be researched, foundations/charitable institutions, government institutions, educational institutions and public/private funds (non-REIT) that are not corporate-like issuers.

The investment option may have incidental or unintended indirect exposure to such securities through other investments, such as exchange traded funds, derivatives, investment vehicles and other financial instruments, or due to changes in corporate activity. The investment option may have exposure to securities of companies involved in tobacco manufacture, supply or distribution, or the manufacture of controversial weapons, that are not classified as having such involvement using third-party data.

The investment option is monitored on an ongoing basis for the inclusion of any investments that are the subject of negative screening. The Investment team reviews the investments of the investment option regularly for adherence to the proprietary ratings framework.

Issuers of securities in the investment option may fail to meet the ESG criteria of the Investment team or data provider from time to time. More formally, positions are reviewed bi-annually as part of the strategy reviews conducted by the Investment team. Where an investment no longer meets the investment criteria, the Investment team will seek to remove that investment as soon as reasonably practicable, while seeking to minimise the impact on the investment option. From time to time, sustainable investment data may be incomplete, inaccurate or unavailable, resulting in certain investments being incorrectly included or excluded from the investment option. ESG considerations are not taken into account for cash securities, derivatives, investment vehicles such as exchange traded funds, and indirectly held investments.

Where the investment option invests into another fund, the extent to which the Investment team of an underlying fund applies its respective ESG processes and assessments at the underlying portfolio level, including any negative screening, will vary depending on the securities exposures and investment strategy. Therefore, this can result in the investment option indirectly holding certain investments which do not consider ESG.

Macquarie Core Plus Australian Fixed Interest

The Investment team managing the Macquarie Core Plus Australian Fixed Interest investment option considers ESG factors, where applicable, as part of the overall assessment of an investment case for directly held fixed income securities and in the context of other considerations such as the potential impact on financial positioning and performance. However, ESG factors are not the primary objectives nor primary considerations in the investment process of the investment option. While this investment option does take into account certain ESG factors and applies a negative screen, it is not designed for members whose primary objectives include consideration of ESG factors or meeting specific ESG goals, either by screening out particular types of companies or investments for ESG purposes, or as part of the investment process. Consideration of ESG factors does not imply that this investment option is marketed or authorised as an ESG product.

Proprietary ESG risk rating frameworks are used by the Investment team to assess material ESG factors for relevant directly held investments. Where this investment option invests into another fund, the extent to which the Investment team of an underlying fund applies its respective ESG processes and assessments at the underlying portfolio level, including any negative screening, will vary depending on the securities exposures and investment strategy. Therefore, this can result in this investment option indirectly having exposure to certain investments which do not consider ESG.

For directly held investments, the relevance of each ESG risk rating framework depends on the nature of the investment strategy, such as whether this investment option invests in predominantly developed market corporates, developed market sovereigns, emerging market sovereigns, or a combination of two or more of these. It is important to note that a high ESG risk rating does not necessarily preclude the Investment team from investing in a security. The ratings are generally considered in the context of other factors relating to the issuer and security overall, such as financial factors.

- Developed corporate ESG analysis
Relevant material ESG factors are considered as part of the credit analysis process with a focus on assessing whether ESG issues may lead to downside credit risk. They are also considered in the context of business operations, potential impact on financial positioning and performance, and in comparison to peers.
Analysts may consider a broad range of ESG factors, including greenhouse gas and carbon emissions, energy efficiency, carbon intensity, water consumption, environmental liabilities, product safety and liability issues, workplace safety and labour relations, supply chain and procurement risks, social impact, disclosure, management credibility, bondholder commitment and communication, board and management structure and expertise, and accounting transparency, depending on relevance and materiality.

The analysts will rate the issuers with a low, medium or high ESG risk rating from a credit risk perspective, which is driven by the assessment of whether the issuer company is able to manage and respond to existing or potential ESG risk events such that they do not lead to material credit risk. In other words, the rating identifies the potential for unexpected costs to arise from poor ESG performance.

- **Developed sovereign ESG analysis**
The developed markets sovereign ESG model ranks a country on a number of ESG sub-measures and then amalgamates these rankings on an equally weighted basis to score each country on how well it is performing in the environmental (E), social (S), and governance (G) categories and then overall ESG, which is an average of the individual E, S and G scores. ESG sub-measures include environmental inputs such as emissions; social inputs such as civil liberties and economic freedom; and governance inputs such as corruption, political stability and rule of law. The scores are scaled to give each country, as well as Australian states a score from 0 (worst) to 1,000 (best). A higher score indicates better overall ESG performance or lower ESG risk.
- **Emerging market sovereign ESG analysis**
Emerging market sovereign debt securities are scored using the emerging market sovereign ESG quantitative framework, which produces proprietary income-adjusted ESG composite scores based on individual scores on various E, S and G variables. These variables include environmental measures such as emissions, social measures such as civil liberties and economic freedom, and governance measures such as corruption, political stability and rule of law. The Investment team then takes an average of the scores in each E, S, G category for each country before adjusting the income for each (that is, adjusting for the level of economic development) to produce the income-adjusted E, S and G scores.

The proprietary ESG risk ratings frameworks may be supplemented by access to external tools and resources. Certain investment data may be incomplete, inaccurate or unavailable from time to time, resulting in certain investments being incorrectly included or excluded from the portfolios. ESG factors are not considered in relation to cash securities, derivatives, currency, non-Australian dollar structured securities (for example, asset-backed securities) and indirectly held investments.

In addition, this investment option does not invest directly in debt issued by public companies that are classified as being in the 'tobacco' industry according to GICS®, defined as manufacturers of cigarette and other tobacco products.

A company will generally be classified to this sub-industry classification where this definition most closely describes the business activities that generate more than 60% of the company's revenue. The primary source of information used for classification is a company's annual reports and accounts. Other sources include broker reports and other published research literature. The classification is assigned at the company level; meaning all securities, equities or corporate bonds issued by the company will have the same GICS® classification as the company. If a company has only issued corporate bonds (not equities), the issuer

is assigned a classification based on the GICS® of its related listed entity; that is, its parent company or ultimate parent company, as available in GICS® Direct, and if not available, the issuer will be classified based on its own or the underlying business of its related entities. GICS® is not assigned to supranationals, municipalities, sovereigns, shell companies, mutual funds or exchange traded funds.

This investment option may have incidental or unintended indirect exposure to companies that are defined as 'tobacco' securities through other investments, such as exchange traded funds, derivatives, other financial instruments, underlying funds or other investment vehicles, or due to changes in corporate activity. This investment option may have exposure to securities of companies involved in tobacco that are not classified as manufacturers of cigarette or other tobacco products under GICS® (for example, tobacco distributors or retailers) or are not classified under GICS®.

Application of the negative screen is monitored on an ongoing basis. Issuers of securities in this investment option may fail to meet the Investment team's or data provider's ESG criteria from time to time. The Investment team will seek to remove an investment that meets the negative screening criteria as soon as reasonably practicable, while seeking to minimise the impact on the investment option.

The Investment team undertakes engagement with company management from the perspective of a bondholder. As with all debt investors, the investments do not have attached voting rights. This makes it difficult for the Investment team to have the same level of engagement as would be the case for an equity investor. Where relevant, the Investment team will seek to engage with company management on ESG related issues as part of the analysis of debt issuance from these companies.

Additional information about negative screens

Macquarie Asset Management relies on third-party data providers to assess the involvement of companies in the activities which are negatively screened. These data providers determine company involvement or implied non-involvement with the relevant activity based on their definition of involvement and the scope of their assessment universe. These definitions may differ to definitions commonly used or used by other data providers.

If a company is not in the scope of the data provider's assessment universe, that company will not be subject to the screening and may be held in a portfolio. The data used by data providers may be out of date or incorrect or involvement by companies in certain activities may be misidentified.

Screening methodology may change from time to time. Where the methodology changes, Macquarie will endeavour to update the screen descriptions in a timely manner.

10. JANA Managed Investment Options

The information in this section of the Booklet is only applicable to the JANA Ready-made investment options available in Mercer Tailored Super, available in the CSD of the MST.

JANA's philosophy is that consideration of ESG factors leads to better-informed investment decisions and are fundamental to achieving sustainable, long-term returns. ESG is therefore an aspect integrated in its research and advice. JANA believes ESG risks should be considered alongside other portfolio risks and form part of the holistic investment decision-making process.

JANA requires underlying investment managers to have sound practices to identify and manage ESG factors and any potential risks and opportunities that may arise, and to incorporate these factors in investment analysis and decision making, where appropriate. JANA assesses investment managers' ESG credentials through a due diligence process prior to selection.

JANA assigns an ESG rating to all invested and active status investment strategies (including those managers contained within the JANA Managed Investment Options). These are qualitative ratings and represent JANA's assessment of the strategy relative to comparable strategies in the relevant peer universe. The ESG ratings capture JANA's assessment of the investment manager's ESG capabilities, relative to their peers, which is consistent with JANA's broader investment manager due diligence approach. JANA's dedicated asset class research team, Sustainability Champions and its ESG Assessment Framework ensures ESG considerations are captured throughout JANA's investment manager research.

JANA monitors its appointed investment managers to assess how they manage ESG factors within their investment portfolios on an ongoing basis. These investment managers must maintain appropriate processes that enable them to manage ESG factors in order to be retained.

JANA is a signatory to the Principles of Responsible Investment (PRI), and has signed up to the Net Zero Investment Consultants Initiative (NZICI) to support the global goal of net zero greenhouse gas emissions by 2050. JANA is also a member of the Responsible Investment Association of Australasia (RIAA), the Investor Group on Climate Change (IGCC), and the Australian Sustainable Finance Institute (ASFI). Information on the actions taken by JANA to advance on their commitment to net zero as an organisation and for their clients is available in their [**JANA Net Zero Progress Report**](#).

While ESG factors are taken into account within the JANA Managed Investment Options, they are not designed for members whose primary objectives include consideration of ESG factors or meeting specific ESG goals. Consideration by JANA of ESG factors does not imply that these investment options are marketed or authorised as ESG investment options.

Glossary

Additional Screening Criteria

All Mercer Sustainable Options invest in Mercer Investments managed sustainable-labelled CIVs which incorporate an additional screening criteria as detailed in section '3. Mercer Managed Investment Options — Mercer Sustainable Options' in this Booklet. This is in addition to the screening criteria as detailed in section '2. Mercer Managed Investment Options — Screens' in this Booklet. Refer to section '4. Mercer Managed Investment Options — Screening List and Exceptions' in this Booklet for more information on how a security is assessed as meeting an Screening Criteria or Additional Screening Criteria and details on Exceptions or other factors beyond Mercer Investment's control which may mean that they are not able to apply.

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:

- Mercer Investments sustainable-labelled CIVs, refer to CIVs that are managed by Mercer Investments
- Third party CIVs or third party sustainable labelled CIVs, refer to CIVs that are managed by investment managers not affiliated with Mercer.

Directed Investments

Directed Investments are where Mercer Investments can direct and control exposure to individual securities via the appointed investment managers, including through individually managed portfolios of securities. Directed Investments do not include Indirect Holdings or investments in third party CIVs (including managed investment schemes and exchange traded funds) where Mercer Investments cannot direct or control exposure to individual securities within the pooled investment. Directed Investments also do not include some forms of derivatives.

ESG factors

Any qualitative or quantitative information pertaining to environmental, social, or governance topics.

Global Credit

Global Credit is classified as Defensive Fixed Interest. Defensive fixed interest investments generally provide a regular income stream with the repayment of capital expected at the end of the term. These investments are generally considered defensive as they are predominantly invested in highly rated sovereign bond issuers in developed markets or highly rated investment grade corporate issuers.

Global Shares

Investments in companies listed on securities exchanges both overseas and domestically. Investments in global shares will predominantly be in developed markets though may also include some exposure to shares listed in emerging market economies.

Indirect 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.

JANA Managed Investment Options

This is the JANA Ready-made investment options available in Mercer Tailored Super in the CSD of the Mercer Super Trust. The trustee has appointed JANA as an implemented consultant to provide investment strategy advice, portfolio management and implementation services including investment manager selection and monitoring in respect of these investment options. For information on all the investment options available in your Plan, please read your Plan's *Investments* booklet.

Macquarie Managed Investment Options

These are the Macquarie Ready-made investment options available in the Macquarie Group Super Plan available in the CSD of the Mercer Super Trust. The trustee has appointed Mercer Investments as the implemented consultant. These options invest in funds for which Macquarie Investment Management Australia Limited acts as the responsible entity. For information on all the investment options available in your Plan, please read your Plan's *Investments* booklet.

Mercer Managed Investment Options

Mercer Super Trust investment options that invest in the Mercer Funds for which Mercer Investments acts as implemented consultant. For information on all the investment options available in your Plan, please read your Plan's *Investments* booklet.

Mercer Direct

An investment option that 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

Mercer Sustainable Options

The Mercer Sustainable Options are Mercer Managed Investment Options that incorporate an additional sustainability approach in some asset classes as described in section '3. Mercer Managed Investment Options — Mercer Sustainable Options' in this Booklet.

The Mercer Sustainable options include the following investment options:

- Mercer Sustainable High Growth
- Taxed Mercer Sustainable High Growth
- Mercer Sustainable Conservative Growth
- Taxed Mercer Sustainable Conservative Growth.

Screens

Screens involve seeking to avoid investing in, or removing or reducing exposure to, certain companies with involvement in defined products or business activities. Screens can be used to respond to evolving societal norms and expectations, including Australian Government policy positions, especially where integration and Stewardship are considered to be insufficient or not applicable.

Screening Criteria

All Mercer Managed Investment Options incorporate screening criteria that apply to investments that are Directed Investments as detailed in section '2. Mercer Managed Investment Options — Screens' in this Booklet. Refer to section '4. Mercer Managed Investment Options — Screening List and Exceptions' in this Booklet for more information on how a security is assessed as meeting an Screening Criteria or Additional Screening Criteria and details on Exceptions or other factors beyond Mercer Investment's control which may mean that they are not able to apply.

Screening List

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

Stewardship

The use of investor rights and influence with the aim to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend. Stewardship is distinct from the investment analysis and decision-making components of the investment process, but each may inform the other.

How to contact us

Phone

Call the Helpline on **1800 682 525** or if calling from outside Australia on **+61 3 8306 0900** from 8am to 7pm (AEST/AEDT) Monday to Friday.

We can help you in a number of languages, simply ask for a translator when you call.

Online

mercersuper.com.au

Our website is available 24 hours per day, seven days per week. However, the website may not be available when we need to carry out scheduled updates or maintenance. If, for any reason, our online services are not available, you may call the Helpline for assistance. If our online services are not available, we are not responsible for any loss because you were unable to perform transactions during that time.

Mail

Mercer Super Trust
GPO Box 4303
Melbourne VIC 3001

Please include your Plan name and your member number when writing to us.

Keep your contact details up to date

We can only send you information if we have your current contact details. You can update your details by logging in at mercersuper.com.au/login or by calling the Helpline.

If the law permits, we may send member communications to you electronically (including member statements and significant event notices) by:

- Email, and/or
- SMS, and/or
- A link to a website so you can download them.

We can also post any documents to you. When you receive your personal login details, simply update your communication preferences online under 'My details' or call the Helpline.
