Mercer

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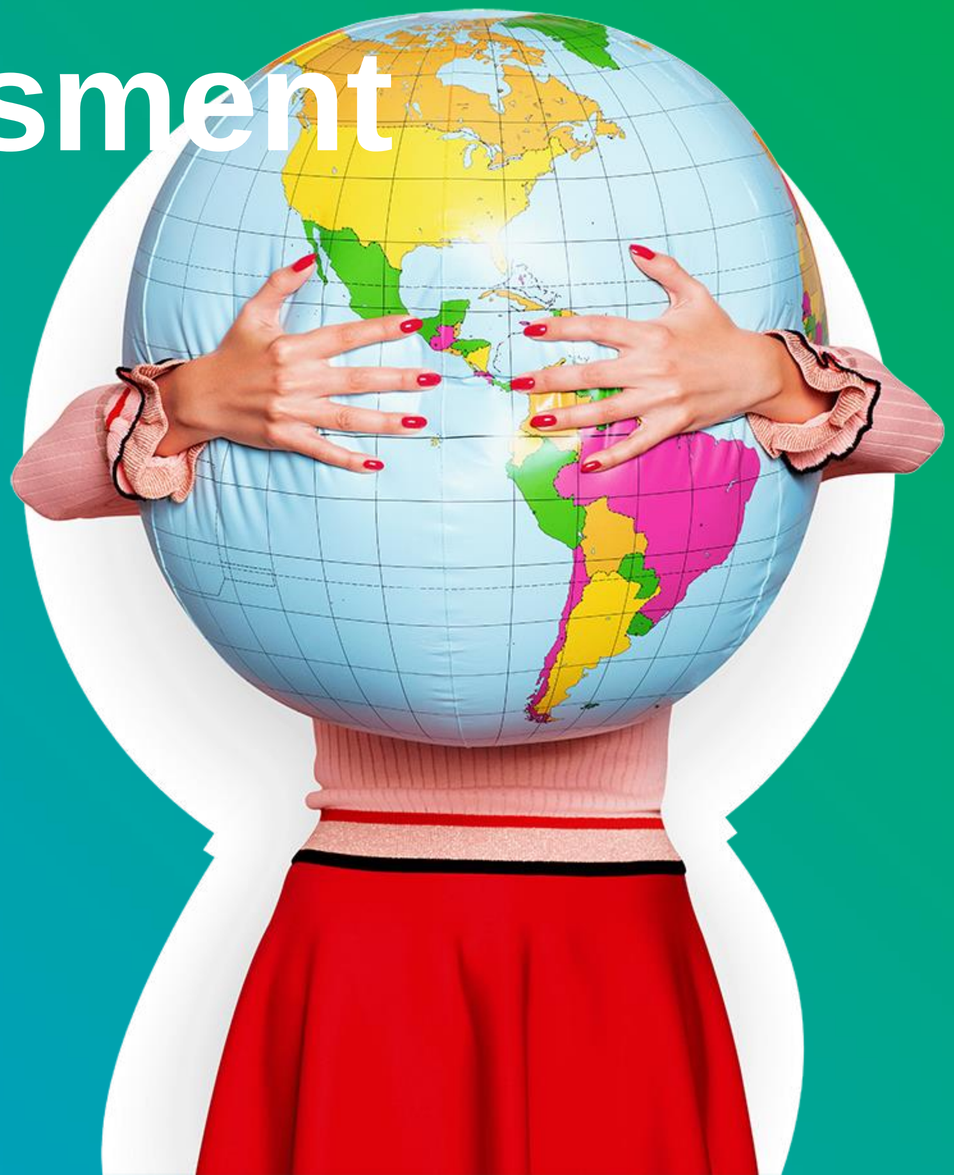
Annual ESG Assessment Report

Swinburne University

June 2023 (Public Version)



A business of Marsh McLennan

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Executive Summary

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Annual ESG Review

Objective of the Review

Swinburne University's Responsible Investment (RI) Charter, approved by Council in December 2015 and last updated in 2022, sets out the University's overall philosophy, commitment and methodology for addressing environmental, social and governance (ESG) factors.

Swinburne has committed to the following:

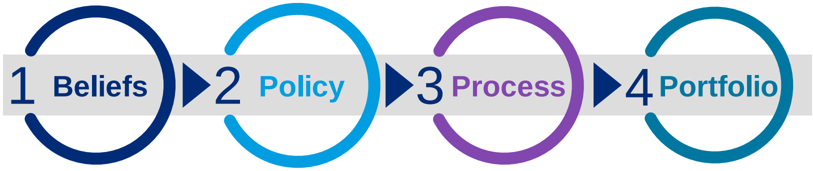
1. The integration of Environmental, Social and Governance factors into their investment decision making process
2. Active ownership through proxy voting and engagement (via their implemented consultant, Mercer*) focusing on the key areas of i) Climate Change ii) Human Rights & Modern Slavery and iii) Sustainable Development
3. Supporting innovation and sustainability within their investment portfolios where consistent with their risk and return objectives
4. Exclusion of companies that are inconsistent with a sustainable future (specifically Tobacco companies, Controversial Weapons manufacturers, and carbon intensive Fossil Fuels)
5. Transparency and disclosure including annual reporting on progress implementing the RI Charter as set out in our responsible investment implementation plan.

This Annual ESG Assessment Report intends to:

1. Provide an overview of key ESG metrics
2. Summarise key industry developments

*The local Mercer entity is Mercer Investments Australia Limited (MIAL) and some references are noted with an asterisk as specific only to MIAL rather than Mercer globally.

Mercer's Approach to Sustainable Investment



We believe a **sustainable investment** approach is **more likely to create and preserve long-term investment capital**.

Our Policy, Process and Portfolio implementation adopts a **four-pillar** approach.

Integration	Active Ownership	Investment	Screening
Objective: Take a broader view on risk / return by including environmental, social, and governance (ESG) factors in decisions	**Objective:** Help realisation of long-term value through voting and engagement.	**Objective:** Explore investment opportunities linked to sustainability themes and solutions.	**Objective:** Screen portfolios for certain sectors, products or activities that meet Mercer funds exclusions criteria.
Application: • Review Mercer manager ESG ratings and promote integration with managers • Climate scenario analysis and transition risk analysis using multiple metrics • Diversity and modern slavery analysis	**Application:** • Work closely with appointed listed equity investment managers on voting and engagement. • Engage with companies and policymakers either directly or via managers and/or collaboratively.	**Application:** • Seek investments which link to sustainability themes where this is aligned with achievement of investment objectives. • Provide sustainability-themed funds which are aligned with investor needs and preferences.	**Application:** • Refer to Mercer sustainable investment policy or the fund PDS/information booklet for exclusions and screening criteria applied.
Disclosure: Transparency and reporting			

Results Overview

Integration

2.1: ESG ratings
Weighted avg. portfolio rating is 1.8, a very good result, 20% better than the composite universe

2.2: Carbon footprint
The weighted average carbon intensity (WACI) for the total portfolio has decreased by 30% from Mercer's net zero baseline (June 2020) and is 38% below benchmark currently.

2.3/2.4: Climate transition
Scenario analysis completed and climate transition capacity and net-zero monitoring continues.

2.5: Diversity and inclusion, 75% of companies in the equity portfolio have boards with more than 30% female representation.

Active Ownership

2.6: RITE tool
Swinburne rated A+ (84% out of 100%) in Mercer's Responsible Investment Total Evaluation (RITE) and is a top performer within the global not for profit sector

2.7: Engagement
Mercer has an active engagement program with portfolio companies, managers and collaborations with industry associations.

2.8: Voting
Mercer's appointed investment managers voted on Mercer's behalf at 99% of Australian and global meetings.

Investment

2.9: UN Sustainable Development Goals (SDGs) alignment
The listed portfolio is **significantly** more **aligned** to the SDGs than the benchmark (net impact rating of 1.73 vs. 1.00) (from a possible -10 to +10). This is a developing area as SDG mapping methodology evolves.

Screening

2.10: Exclusions
No breaches of exclusion commitments were identified.

2.11: Screening
Companies with UN Global Compact red flags were identified. All managers have been surveyed on their UNGC monitoring and engagement, and where necessary will be asked to report further in H2 2023.

No companies with high severity Modern Slavery flags were identified.

- **ESG metric highlights for Swinburne's portfolio**
  - Overall, Swinburne's portfolio continues to perform well across all key ESG metrics monitored.
  - There were no exclusions breaches or high severity Modern Slavery flags identified.
  - Climate change remains a focus with new scenario analysis completed.
  - A new methodology and dataset has been used for SDG alignment analysis and fossil fuel production expansion.
- **Swinburne complies with** all commitments within its RI Charter

Thematic Trends

Consistent sustainable investment themes emerging

The Global Risks Report 2023

Global risks ranked by severity over the short and long term

	2 years		10 years
1	Cost-of-living crisis	1	Failure to mitigate climate change
2	Natural disasters and extreme weather events	2	Failure of climate-change adaptation
3	Geoeconomic confrontation	3	Natural disasters and extreme weather events
4	Failure to mitigate climate change	4	Biodiversity loss and ecosystem collapse
5	Erosion of social cohesion and societal polarization	5	Large-scale involuntary migration
6	Large-scale environmental damage incidents	6	Natural resource crises
7	Failure of climate change adaptation	7	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity	8	Widespread cybercrime and cyber insecurity
9	Natural resource crises	9	Geoeconomic confrontation
10	Large-scale involuntary migration	10	Large-scale environmental damage incidents

Risk categories: Economic | Environmental | Geopolitical | Societal | Technological

World Economic Forum Global Risks Perception Survey 2022-2023

The Global Risks Report 2023, published by the World Economic Forum in collaboration with Marsh McLennan (MMC), examines how widening geopolitical, economic, and societal fissures will trigger and exacerbate crises to come.

Drawing on insights from more than 1,200 experts and policymakers worldwide, the report unpacks some of the key dangers in the short term, highlights escalating risks over the next decade, and examines how competition for critical resources such as food and minerals may play out in alternate futures.

Marsh McLennan's Perspective - Four Risk Themes for 2023:

1. **Macro-economic**: Macroeconomic developments are enflaming fears of an imminent economic downturn, creating unease about the short-term risk outlook and future growth. Building resilience during such turbulent times requires new strategic approaches to risk identification, decision making, and preparedness.
2. **Digitisation**: As companies move more operations into the digital realm and develop transformative technology — from blockchain to AI to genetic engineering and beyond — it's imperative that they reinforce resilience to rapidly evolving cyber risks, changing regulatory and privacy rights regimes, and physical and virtual attacks on valuable data and systems.
3. **Climate & Sustainability**: Environmental risks dominate organizations' long-term concerns in the GRR 2023. Most of these relate directly or indirectly to climate change, which is generally regarded as an existential risk. Resilience strategies that focus on new approaches to assessing and mitigating climate change risk
4. **People**: By shifting focus to changing the environments people work and live in, improving the availability of supports people truly need, and adopting an overall culture of health and well-being, businesses and their workers can become more resilient.

Mercer's Investor Themes & Opportunities 2023

- **Energy sector challenges for inflation / living costs**
- **Natural resource reliance, transition and metals**
- **Planetary boundaries, nature and biodiversity**
- **Sustainability is more than reporting**

Mercer

New ESG Developments

There are no immediate regulatory implications or actions for Swinburne. These are emerging developments, which Mercer is monitoring and responding to, as required.

Regulation & Disclosures

2023 is expected to see regulators and industry standard-setters provide clearer guidelines and greater transparency.

In the last few years, there's been significant push from regulators to standardise disclosures and require transparency on sustainability from companies, asset owners, and asset managers. The coming years will see clarifications and rules being amended to improve clarity and target greenwashing. This will require investors to seek better data, improve methodologies and governance processes, and provide greater disclosures.

Europe and the UK is expected to continue leading the way in this regard. Regulations are evolving quickly which impose mandatory ESG disclosure obligations for asset managers and other financial markets participants. We expect more countries to adopt sustainable taxonomies similar to the EU as well as mandatory disclosures in line with the TCFD. However, the last few years have seen a rise in anti-ESG sentiment, particularly in the US. Sustainable investing is expected to be in the spotlight in areas of high political polarisation, making it a challenge especially for global investors and managers that must balance perspectives of various stakeholders.

Another challenge that will continue is achieving consistent reporting frameworks and requirements globally, as demonstrated by the proposals from the International Sustainability Standards Board (ISSB), Australian Accounting Standards Board (AASB), European Financial Reporting Advisory Group (EFRAG), and U.S. Securities and Exchange Commission (SEC).

Demand for ESG Data

The demand for ESG data and analytics is expected to continue to grow with investor preferences for quantifying risk and opportunities.

Spending on ESG data is growing an estimated 28% per year over the past five years according to a report. ESG data has became a billion-dollar industry in 2021 and is likely to continue growing this year. The demand is linked to growing requirements for disclosures and voluntary monitoring of risks and opportunities by financial institutions and companies.

While the percentage of companies disclosing TCFD-aligned information continues to increase, consistent, high quality, and complete data remains limited. In fiscal 2021, the TCFD Status Report shows that 80% of companies disclosed in line with at least one of the 11 recommended disclosures. But, only 4% disclosed in line with *all* 11 recommended disclosures, and only around 40% disclosed in line with at least five.

In the near term, we expect policymakers to include data providers under sustainable investing regulations, aiming for better consistency. In fact, in November 2022, the UK's Financial Conduct Authority (FCA) announced it would be developing a voluntary Code of Conduct (the Code) for ESG data and ratings providers.

The Age of Engagement

Engagement is expected to continue as a major lever for investors to influence change to reduce risks and achieve ESG objectives.

Engagement levels have continued apace through 2022 — studies show the number of proposals that went to a vote at Russell 3000 companies increased by 25% (indicating both an increase in the number of proposals filed and the number of no action requests granted by the SEC).

A review of the 2022 proxy season by Morningstar shows that the number of shareholder proposals on ESG issues are growing. However, progress to support key environmental and social issues varies by manager, as shown in Share Action's Voting Matters report, which compares and ranks the largest 68 asset managers on their voting activities. For example, the number of shareholder resolutions on environmental and social issues supported by the four largest asset managers have dropped in 2022 from 2021.

There's also growing expectations for investors to engage with their holdings on a variety of fronts. Investors pursuing non-financial objectives will therefore need to develop their own engagement principles over time and, more importantly, ensure these principles can be translated into tangible goals that can be measured objectively and in a sophisticated way, whether by assessing emissions trends, Sustainable Development Goals (SDG) alignment or improvements in ESG metrics.

New ESG Developments

There are no immediate regulatory implications or actions for Swinburne. These are emerging developments, which Mercer is monitoring and responding to, as required.

Finding Opportunities in Nature

The environmental lens is expected to continue extending beyond climate change to encompass nature and biodiversity, with the connections becoming increasingly clear.

It is notable that the biodiversity boundary is already in the red zone (even more significantly advanced than climate risk), and new analysis in 2022 suggests that the related water boundary has also been breached. Nature has finally started to get the much needed attention by investors in recent years. A 2022 survey by Robeco found that more than half of investors plan to have a core focus on biodiversity in their strategy in the next two years.

However, when looking to reflect nature-related concerns in portfolios, investors will continue to find challenges to locate suitable nature-themed investments. For example, only a few utility stocks meet a definition of having a substantial amount of biodiversity-solutions-related revenue. For institutional investors, the approach in listed equities is likely to revolve around engagement with holding companies to limit the damage they do to biodiversity. For example, encouraging manufacturers to use more sustainable packaging solutions and avoid deforestation.

Further, investors may prepare themselves for the release of the Taskforce for Nature-Related Financial Disclosures in September 2023, which will provide a framework for financial reporting likely to be embraced by regulators.

Climate Transition & Adaptation in Private Markets

Investors are allocating to private markets to access an array of opportunities across all sectors, including some of those with the most pressing need to transition and adapt.

Europe’s energy crisis has elevated the debate over solutions on how to balance energy security with long-term sustainability goals. This environment presents a value proposition for private markets investors. The ability to influence how assets are managed, coupled with a long-term investment horizon, attracts new capital and drives the transition to a more sustainable path. Recent analyses supports the trend. In 2021, North American venture capital and private equity invested US$6.8 billion in energy transition companies, reaching a 10-year high. Experts estimate superior returns from carbon capture, green hydrogen and emerging clean technologies.

Private markets are most commonly associated with transformational investing since investors have a greater ability to drive change and convert global systemic risks into sustainable returns. According to a World Economic Forum report, there is an annual investment gap of US$6.27 trillion. Investment flows into climate adaptation projects are expected to increase, with 73% investors believing it is next big opportunity, found a recent study. Adaptation was also a major focus at COP27 where the Adaptation Agenda was launched to help improve the resiliency of those most vulnerable to climate impacts. New project and capital needs to emerge across industries and sectors and offer asset owners a rich universe to drive change and identify return opportunities.

As investors continue to increase their allocations to private markets, they are finding a diverse range of opportunities to meet their sustainable and impact goals. While also aiming to deliver a higher return profile than with public markets. In addition, investors can achieve enhanced diversification by investing in managers with innovative strategies at companies that are leading change in their sectors.

The ‘S’ of ESG Growing in Focus

In the post-COVID era, social inequality continues to grow with rising inflation and geopolitical tensions across the globe.

With rising social inequality, a climate crisis, socioeconomic knock-on effects of the pandemic, and growing geopolitical tensions, the UN has reported a reversal in progression on the Sustainable Development Goals over the last few years, including 2022. This year is expected to continue on this downward trend especially with rising inflation and fear of a global recession.

Against this background, it will become increasingly important for investors to better understand the supply chain, political, and human capital risks faced by investees companies as these issues will continue to be raised and emphasized by stakeholders. Companies will be expected have strong workforce strategies around DEI, health, flexibility, and benefits. However, with uncertain economic conditions looming, there may be challenges faced in balancing financials and the employee experience.

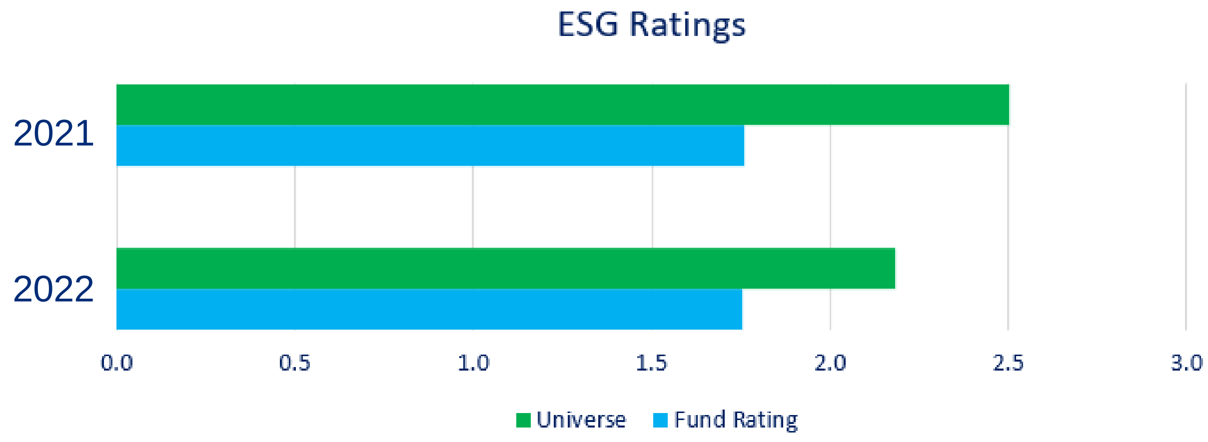
Supply chain resiliency and transparency is another continued trend which will add pressure on companies to dedicate more resources and comply with regulatory disclosures around human and labour rights. For example, the EU is expected to advance its due diligence directive on restricting goods made with forced labour.

Assessment Areas

2

2.1 Mercer ESG Ratings
Total portfolio

The Mercer ESG ratings represent our global manager research view on the extent to which ESG factors and active ownership practices are integrated into a manager's investment decision making process. The ratings are based on in-depth due diligence following Mercer's Four Factor Framework (Idea Generation, Portfolio Construction, Implementation, and Business Management).



Source: Mercer

Summary

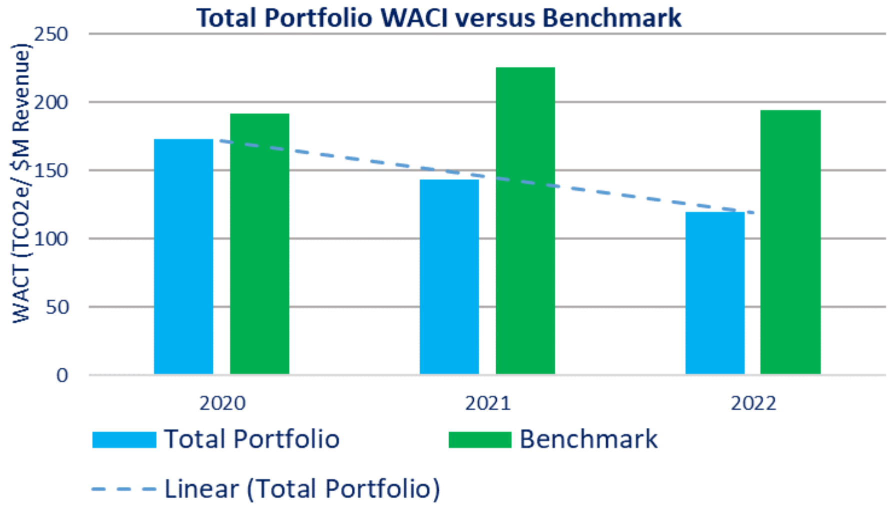
- As at 31 Dec 2022, the weighted average ESG rating of Swinburne's total portfolio was **1.8, better than the composite universe ESG rating of 2.2 by 20%** (-0.4).
- **Swinburne's portfolio ESG rating has not changed year on year.**

Methodology

- *Mercer's ESG ratings reflect to what extent the managers integrate ESG factors into the investment process. A rating of 1 is for the strongest ESG practices and 4 is for the weakest ESG practices.*
- *The Universe is based on the aggregate ratings for all strategies in the relevant asset classes within Mercer's Global Investment Manager Database (GIMD).*

2.2 Carbon Footprint

Weighted Average Carbon Intensity (**WACI**) is the measure of the portfolio's exposure to carbon-intensive companies, expressed in tons CO2e / $M revenue.



Summary

- Since Mercer embarked on its climate transition plan to achieve net zero emissions across its portfolio by 2050, Swinburne University's portfolio has **decarbonised by 30.5%** on a weighted average carbon intensity (WACI) basis, from a June 2020 baseline.
- Total portfolio WACI is also **38% below the benchmark.**

Methodology

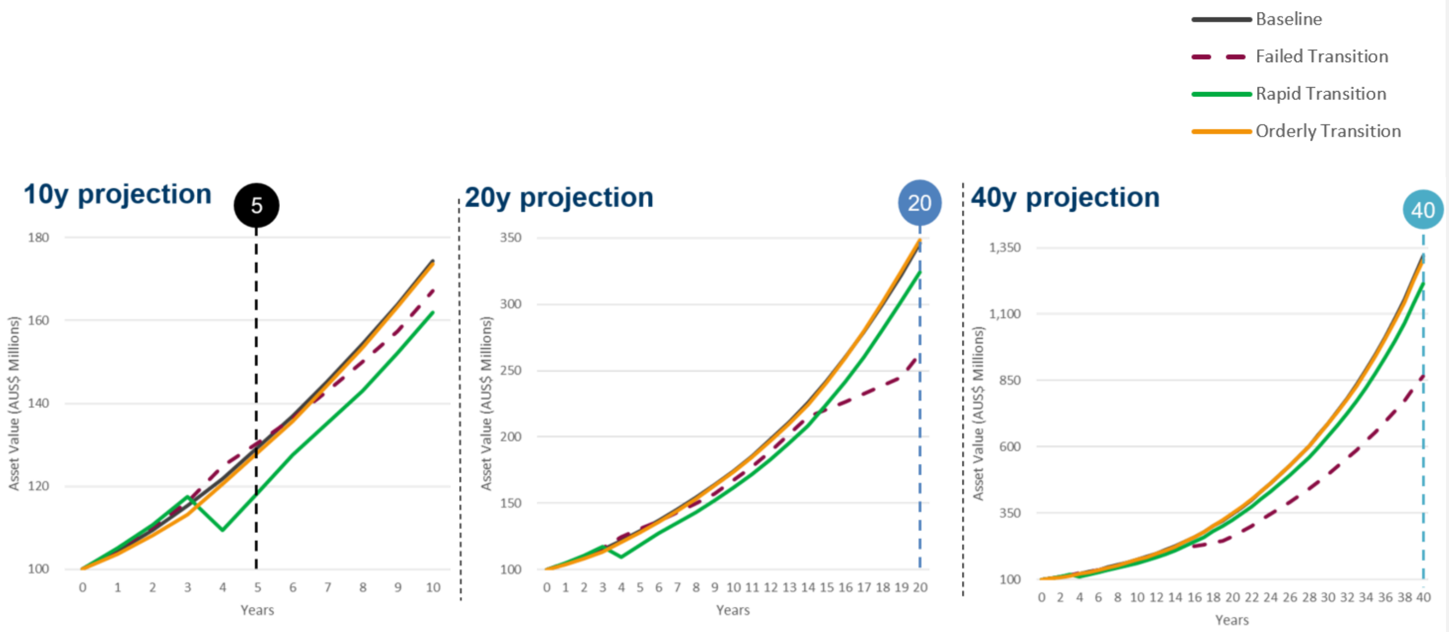
- *WACI is a recommended metric of the Taskforce on Climate-related Financial Disclosures (TCFD).*
- *Data on Carbon intensity is sourced from MSCI*

Source: MSCI ESG Manager

2.3 Climate Scenario Analysis

Mercer – Total Assets in Australia

Scenario analysis helps to understand the physical damages and transition drivers that could result in a range of return outcomes, depending on the climate scenario that eventuates at different points in time.



Source: Mercer with underlying modelling from Ortec Finance and Cambridge Econometrics

Methodology

- *Portfolios with a range of growth asset allocations, as well as those with traditional equity allocations, and those with sustainable equity allocations were analysed. The above depicts the modelled portfolio impacts under different transition scenarios on the Mercer Growth Fund.*

Summary

The scenario analysis highlights that for all sample portfolios modelled, **the largest risk lies at the 5 year and 40 year time horizon driven firstly by transition risk and then physical impacts.**

Under all time-frames, **an orderly transition is the most beneficial for long-term portfolio performance.** This supports the view that long term investors are collectively trying to bring about an effective transition aligned to their fiduciary duty to seek the best return within risk, liquidity and complexity restraints.

The failed transition provides a small up-tick in performance in the near term, however this is eroded over the longer-term as physical risks impact portfolio performance.

The rapid transition is characterised by near term asset price decline across most sectors driven by investors pricing in the cost of the transition, either through capital expenditure or stranded asset risk. Sustainable allocations provide insulation from the downside associated with the rapid transition in the short-term given the exposure to assets likely to benefit in this environment. It is however noted these allocations do not make portfolios completely immune to the impacts of this scenario.

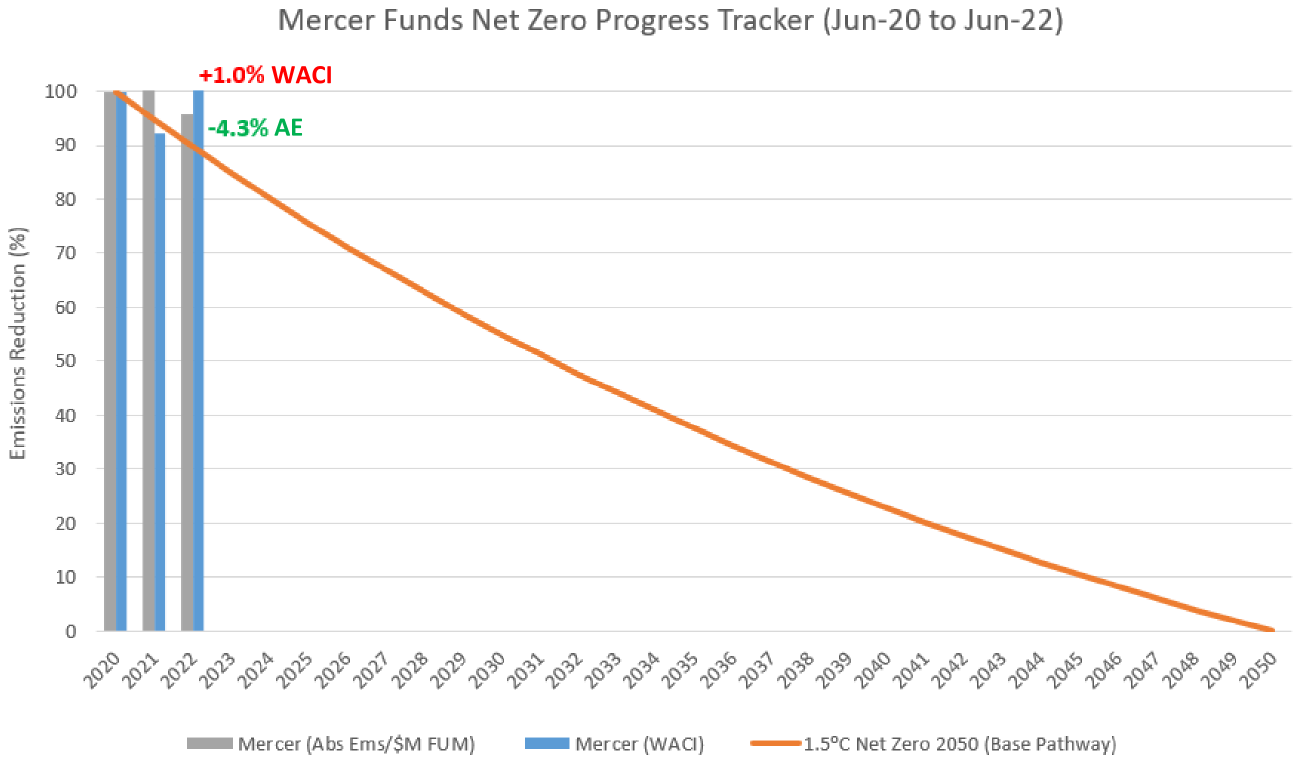
When comparing outputs of the current scenario analysis to Mercer's previous scenario analysis iteration (2019), it is apparent the downside risks associated with climate change are larger than previously modelled.

2.4 Climate Transition – Net Zero

Mercer – Total Assets in Australia – Progress Tracking

Mercer's scenario analysis and ongoing scientific reporting* expect a lower warming scenario to be in investor best interests. As such, Mercer, along with other governments, companies and investors, has set a net zero target** and a climate transition plan.

Total portfolio **Absolute Emissions (AE) per $M invested** has decreased by 4.3% compared to the June 2020 baseline level, whilst weighted average carbon intensity (WACI) increased by 1% vs baseline, after a dip in 2021 this WACI increase is largely driven by equities and an increased allocation to energy and utilities sectors.



Source: MSCI ESG

Summary

- In March 2021[1], Mercer set a total portfolio target of **net zero absolute carbon emissions by 2050**. To achieve this, Mercer expects to reduce **portfolio carbon emissions by 45 per cent from 2020 baseline levels by 2030**.
- Mercer continues to track progress towards its net zero target, tracking both WACI and AE, which have both seen some volatility across the two years tracked so far.
- Mercer's climate transition plan draws on various analysis beyond emissions tracking, including transition capacity, stranded assets, fossil fuel production and physical damages, to ensure climate change risk is appropriately managed in the portfolio.

Methodology

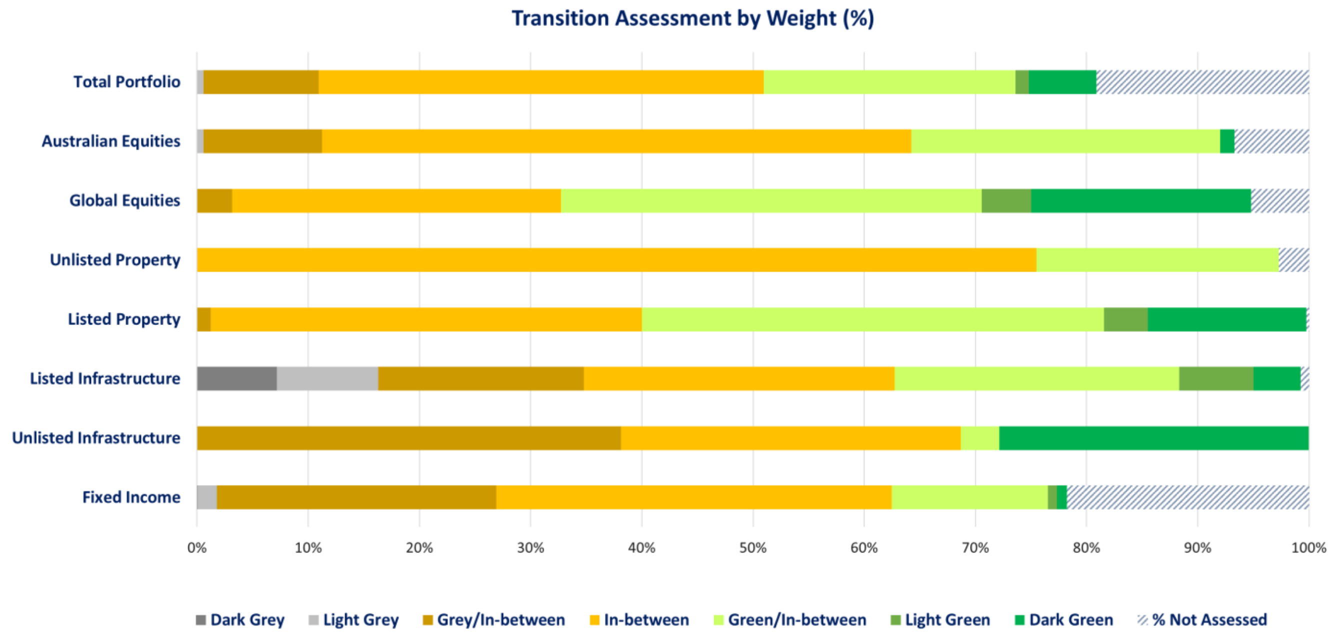
- **From the Intergovernmental Panel on Climate Change*
- ***Read more on Mercer's Net Zero commitment here*
- *Note: Mercer has not yet finalised Net Zero tracking as at 31 Dec 2022, so this slide uses the latest reported data, as at 30 June 2022, two years since baseline. The latest six monthly update will be noted in the public Annual Sustainable Investment report produced for Q2.*

2.4 Climate Transition – ACT Analysis

Swinburne Total Portfolio and Asset Classes - by Weight

Mercer's proprietary Analytics for Climate Transition (ACT) is a strategic forward-looking assessment of climate transition risk and opportunity within an investment portfolio. This analysis helps Mercer prioritise emissions reductions within the portfolio, guide manager engagement and identify climate transition aligned opportunities - as part of our commitment to a net zero future.

The below chart shows the categorisation of fund holdings by transition capacity, by their weight in the portfolio.



Source: Mercer, with underlying data from MSCI ESG and ISS ESG

Summary

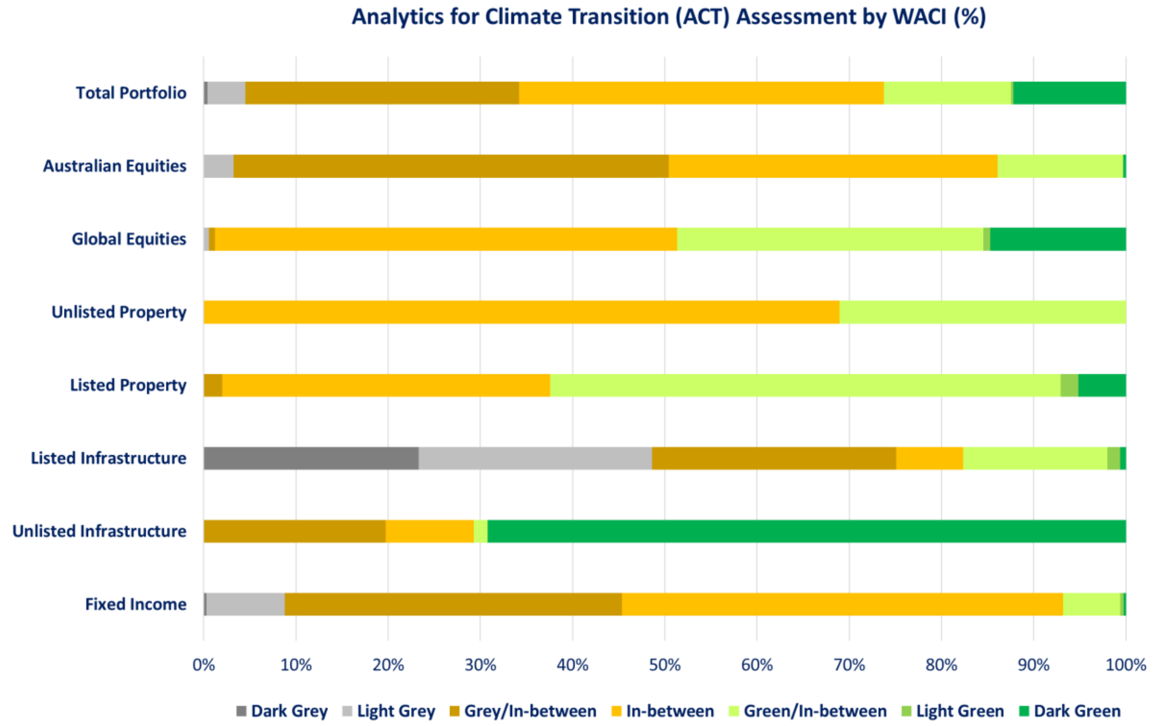
- **The majority of Swinburne's assessed portfolio is categorised positively for transition capacity.**
- A small percentage of companies are categorised as low transition capacity (grey). These account for approx. 0.5% of the total portfolio.
- Dark green holdings are most notable within Unlisted Infrastructure, where there is now a 25% allocation to renewables within the fund.
- Mercer continues to engage with its appointed managers on transition progress with the underlying companies and participate in collaborative engagement with the top emitting companies globally.

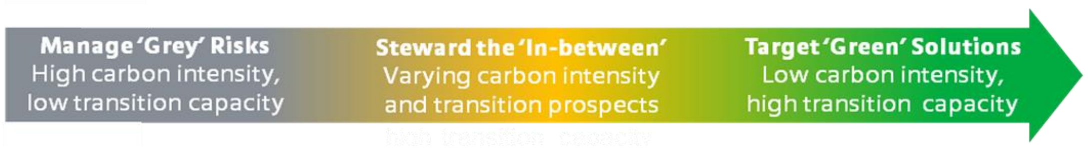
Methodology

- *Mercer's ACT tool consolidates 15 different underlying metrics including emissions, potential emissions from reserves, transition preparedness, UN Sustainable Development Goals ("SDG") alignment and solutions revenue.*
- *Dark grey and light grey assets are typically associated with low transition capacity and a higher chance of stranded asset risk. Dark and light green are low carbon, high transition capacity.*
- *The 'Not Assessed' portfolio weight component includes cash and derivatives.*

2.4 Climate Transition – ACT Analysis
Swinburne Total Portfolio and Asset Classes - by Carbon Intensity

The below chart shows the categorisation of fund holdings by transition capacity and the percentage of Fund WACI they represent.





Source: Mercer, with underlying data from MSCI ESG and ISS ESG

Summary

- The total portfolio results in the previous chart show grey categorised companies as **0.5%** of the portfolio by weight. As per the chart on this slide, those companies are responsible for **7.4%** of the total portfolio WACI.
- This analysis, together with the categorisation by weight, helps to identify where emissions reductions can be prioritised in future.

2.4 Climate Transition – Screening
Fossil Fuel Producers

As part of climate risk management, Mercer monitors investments in companies which derive more than 10% of revenue from the production of fossil fuels through extraction, processing, and power generation in the most recent fiscal year. It is important that the transition capacity of these companies are understood as those that are not taking steps to align with the global energy transition face the risk of becoming stranded assets in the future.

Swinburne Portfolio	Fossil Fuel Producers
Australian Shares	
Mercer Sustainable Plus Australian Shares Fund	14.5%
Benchmark S&P/ASX 300	*18.4%*
International Shares	
Mercer Sustainable Plus International Shares Fund	1.3%
Benchmark MSCI World ex Australia	7.4%
Real Assets	
Mercer Passive Global Listed Infrastructure Fund	36.2%
Benchmark FTSE Developed Core Infrastructure 50/50	38.4%
Swinburne Portfolio (weighted at 31 Dec 2022)[1]	**8.9%**
Benchmark (weighted at 31 Dec 2022)[1]	**13.7%**

-3.9%
Australian Shares
compared to the benchmark

-6.1%
Global Shares
compared to the benchmark

-2.2%
Real Assets
compared to the benchmark

Source: ISS DataDesk

Summary

Mercer monitors investments in companies which derive more than 10% of revenue from oil, coal and/or gas production (mining and power generation).

- As at 31 December 2022, the Swinburne portfolio held lower exposures to Fossil Fuel Producers than the respective benchmark in Australian Shares, Global Shares and Real Assets

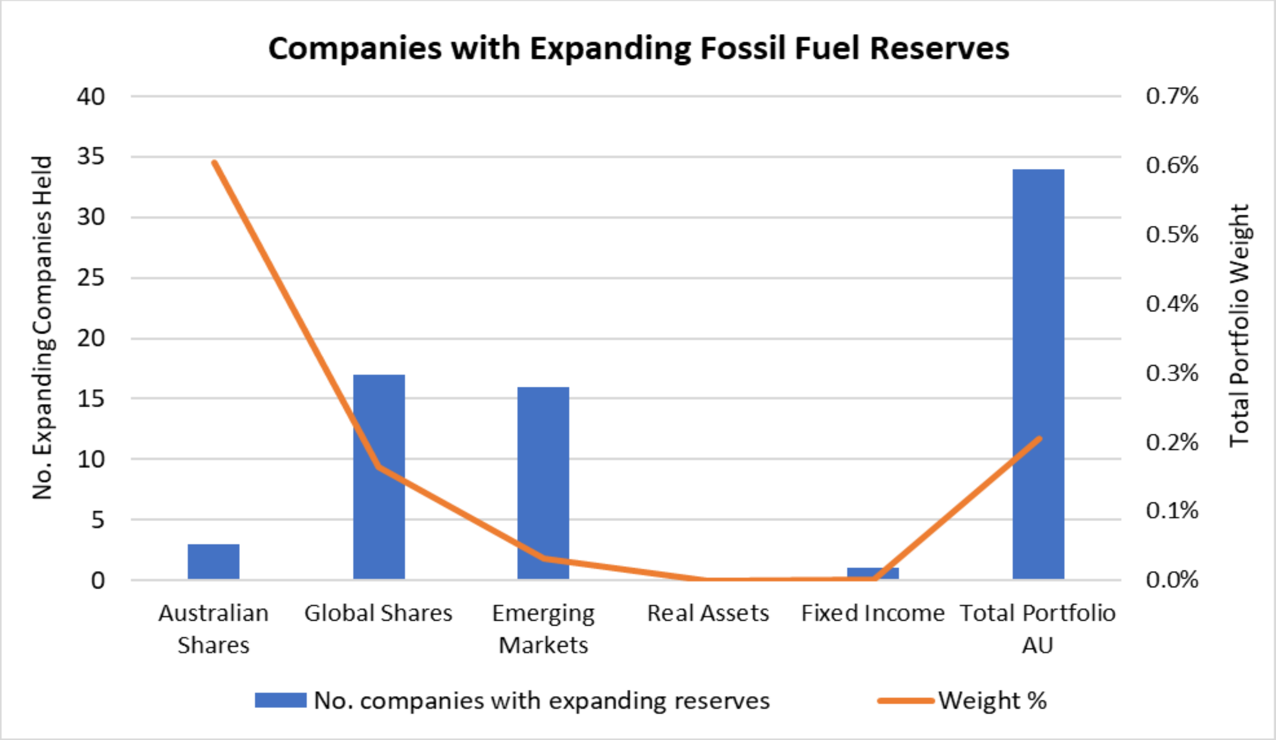
Methodology

- [1]*Weighted portfolio and benchmark fossil fuel production score reflects a change in calculation methodology in which funds are weighted with respect to the percentage of the total portfolio that is covered by the fossil fuel production dataset.*

2.4 Climate Transition - Screening

Stranded Assets Risk – Fossil Fuel Reserves Expansion

The focus on reserves expansion is important for identifying potential stranded asset risk, particularly in thermal (typically power generation) & metallurgical (steelmaking) coal reserves. The chart shows the number of individual companies held by Mercer in Australia that *expanded* their reserves in coal, oil, gas or fracking activity between June and December 2022*.



Source: MSCI ESG

Summary

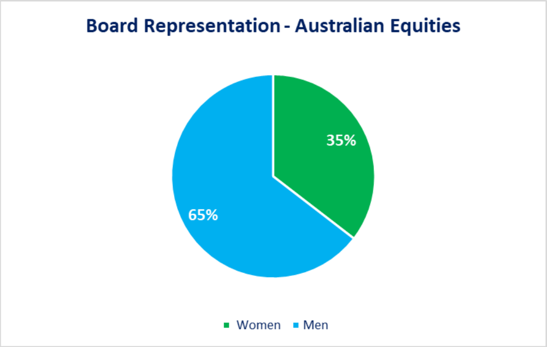
- The Australian Shares result by weight is the most notable portfolio consideration for Mercer's climate transition plan. This will be a key engagement topic with these companies, largely via the appointed investment managers and the Climate Action 100+ collaborative engagement. The current energy market environment is a short term consideration, but gaining comfort around transition plans and company strategy decisions will be important.
- Following the 2015 Paris Agreement, policy changes are expected to ultimately raise the risk of negative financial outcomes and even the potential for 'stranded assets' i.e. the possibility that a proportion of existing fossil fuel reserves will never be utilised due to changes in regulation, demand and technology.

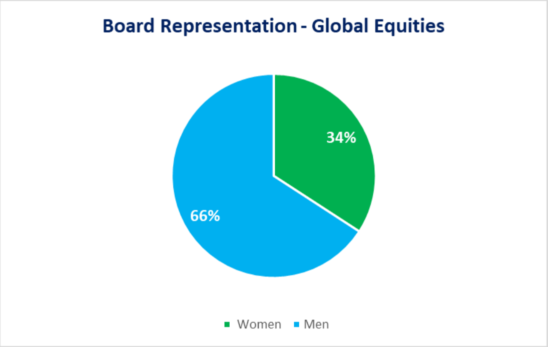
Methodology

- *Due to data availability, only listed equities is covered in this analysis*
- *Analysis covers thermal and metallurgical coal, natural and shale gas (hydraulic fracturing or 'fracking') and oil*
- **Date of expansion depicts the timeframe for which the data was accessed, and may not accurately reflect the timeframes of individual companies.*

2.5 Diversity and Inclusion

Mercer believes that when diverse groups come together with a shared set of values to collaborate, debate and challenge ideas, investors benefit from best-in-class results. Research shows that greater diversity helps drive strong, risk-adjusted returns for asset owners over the long-term.





Swinburne Portfolio	Boards with 0 Women (#)	Boards with 0 Women (%)	Boards with >30% Women (#)	Boards with >30% Women (%)
Australian Equities				
Mercer Sustainable Plus Australian Shares Fund	4	0.09%	120	82.9%
Global Equities				
Mercer Sustainable Plus International Shares Fund	2	0.44%	244	64.2%

Source: ISS ESG

Industry Context
Recent data compiled by the 30% Club on Board gender diversity showed that FTSE 250 constituents achieved more than 40% women on Boards for the first time last year, overtaking FTSE 100 (38.6%)' (*Responsible Investor, 25 Jan 2023*). According to the Australian Institute of Corporate Directors (AICD), the proportion of women directors was 35.7% in the ASX200 and 34.9% in the ASX300.

Summary

Board gender diversity analysis across the portfolio* found that on average, women held 35% of Board positions.

- The weighted average exposure to companies with **>30% female representation on Boards** was **75%** (see table, left, for equity fund breakdown).
- 4 companies in the Australian Equity portfolio and 2 companies across the International Shares funds have **no female representation on the Board.**
- Diversity, equity and inclusion is a priority engagement theme for Mercer, and is an integral part of our annual manager survey and ongoing engagement.

Methodology

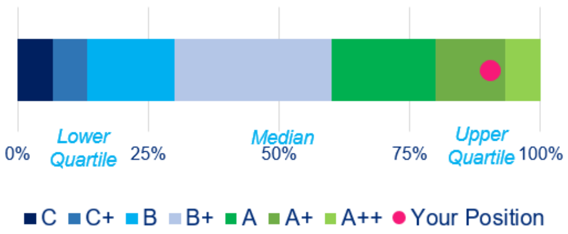
- **This analysis only includes Mercer equity funds and does not cover property or fixed income.*

Mercer

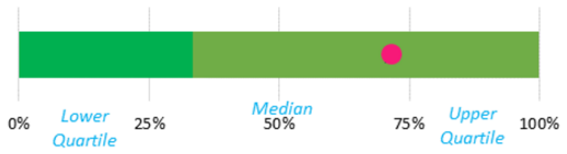
2.6 Responsible Investment Total Evaluation (RITE)
Scoring and Intervention

RITE produces an objective evaluation that can be monitored over time and can provide a comparison relative to peers. It assesses how well you are currently integrating Environmental, Social and Governance (ESG) considerations into your overall decision making.

Overall Distribution

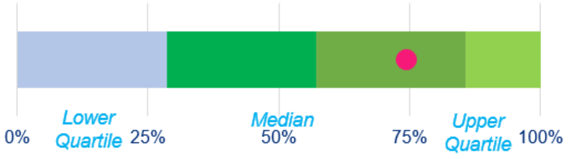


Distribution by Country (Australia)



Distribution by Investor Type (Not for Profit)

Distribution by Size



Summary

- **Swinburne rated A+ (84%) on Mercer's Responsible Investment Total Evaluation (RITE) assessment.** This rating is awarded to peers who have achieved between 76-90% of points for ESG integration across the four areas of Beliefs, Policy, Process and Portfolio.
- Swinburne's score is within the **upper quartile of Mercer's global peer group**, and **a top performer within the global not for profit sector.**

Methodology

- *More information on the RITE assessment can be found on our website*

2.7 & 2.8 Active Ownership

Overview

1. Engagement	Approach	2. Voting
Mercer conducts regular engagement with appointed investment managers via: • An annual global Manager Engagement Survey. • Targeted manager follow up, connecting material holdings, analytics and survey results. • Topic-specific engagement, such as net zero target implementation.	***Managers***	• Mercer outsources proxy voting responsibility to its listed equity investment managers. • Our voting approach is detailed in our Sustainable Investment Policy • Mercer's Proxy Voting Disclosure Site (hosted by Glass Lewis) provides detailed information on vote decisions. • Mercer's Public Annual Sustainable Investments Report includes aggregate proxy voting reporting.
Mercer: • Participates in several initiatives where we collaborate with other large investors for greater impact. • Monitors its involvement to track progress and ongoing alignment with intended objectives.	***Collaborative***	• Mercer is subscribed to **Glass Lewis' Voting Engagement Service**, which leverages over 1,500 engagement meetings that Glass Lewis holds annually across 100+ markets globally. • Mercer is monitoring the recently 'launched' CA100+ flagged votes approach, and will consider if and how to incorporate this into our activities.
Mercer believes its appointed investment managers are best placed to prioritise engagement topics by company. However, Mercer does: • Monitor the Top 20 Australian holdings, and other major global holdings. We may initiate proactive dialogue around contentious issues.	***Direct***	• Proxy voting is outsourced to managers; however, this may lead to mixed votes. Mercer may direct a 'Super Vote' to achieve consistency across managers in circumstances where Mercer believes a resolution is significant and consistency is in the investors' best interests. • Mercer is subscribed to the **Glass Lewis ESG Controversy Alerts** to aid Super Vote decisions.

2.7 Engagement
Manager Engagement Survey

Mercer conducts a Manager Engagement Survey with all appointed investment managers globally to monitor developments and assist in company engagements. Below are extracts from our Pacific region. We are able to collate and share results by asset class and region.

Top 5 ESG Topics for Engagement – Pacific	
1. Climate Change	89%
2. Labour Practices and Human Rights	82%
3. Transparent Disclosure of Material ESG Factors	73%
4. Aligned Remuneration and Incentives	68%
5. Pollution, Biodiversity Loss and Natural Resource Degradation	62%

Top 5 Engagement Strategies – Pacific	
1. Goal orientated discussions and meetings with management	92%
2. Goal oriented discussions and meetings with Board members	73%
3. Collaboration with other investors	66%
4. Communicate objectives for clear outcomes and time horizons	68%
5. Voting at general meetings	56%

Source: Mercer

More than 100 company engagement case studies, with environmental examples focused on:

- Disclosure
- Net Zero implementation
- Net Zero for airports
- Carbon capture
- Climate adaptation policies
- Water usage
- Biodiversity
- Pollution
- Deforestation
- Live animal exports
- Mine tailings issues

Summary

The 2022 survey had a **91%** response rate globally, **86%** in the Pacific (399 submitted responses globally, 107 for Pacific).

Some key Pacific results include:

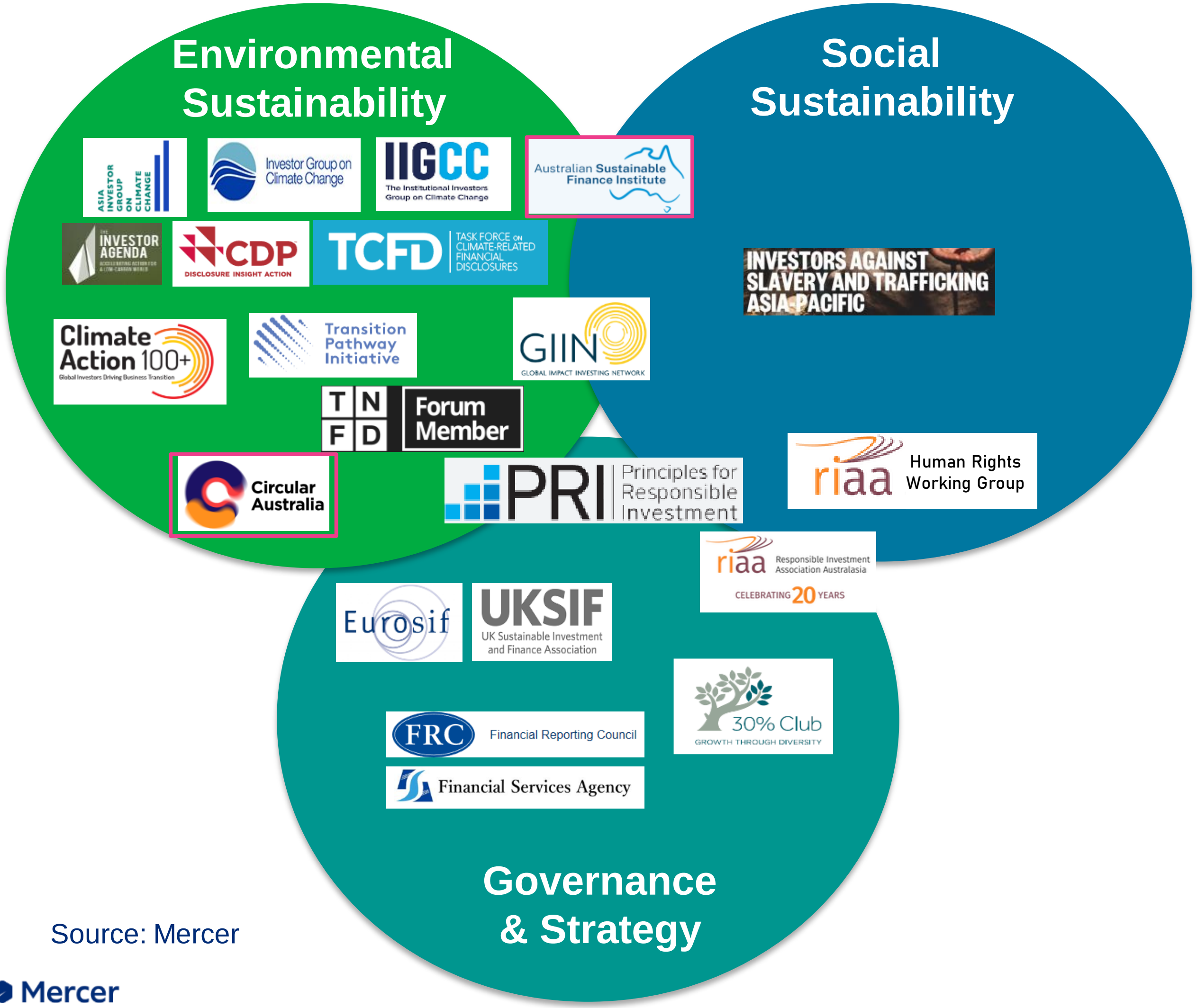
- **68%** were awarded 4 or 5 stars by the PRI at the latest review. 8% were awarded 3 stars and 25% were not rated.
- **36%** have set climate transition targets and another 25% plan to within 1-2yrs.
- **62%** consider nature/biodiversity in investment decisions.
- **75%** monitor for UN Global Compact red flags, or similar.

Methodology

- *Mercer sends the online survey (with word version for internal response collation) to all appointed managers globally, to complete for each strategy. It is sent in early December for early January submission and results are compiled in Q1. Mercer's global surveys team supports the exercise.*
- *Results are prioritised in conjunction with portfolio analytics and targeted follow up with managers will then be undertaken throughout the year by portfolio managers and the sustainable investment team.*

2.7 Engagement
Collaborative Initiatives

Mercer's global engagement priorities by topic and collaborative initiative memberships are summarised below with new additions highlighted in pink.



Source: Mercer

Summary

- Mercer is involved in multiple collaborative initiatives driving improvements expected to benefit portfolios. Example initiatives and outcomes include:
    - IGCC collaboration by co-authoring a new paper on the circular economy for investors[1].
    - CA100+ benchmark report showing progress on key criteria for highest emitting companies[2].
    - RIAA paper on human rights and conflict zones is due to be released shortly, which we have contributed to..
    - The Task Force on Nature-based Financial Disclosures (TNFD), which is still in development.
- Mercer has most recently joined the Australian Sustainable Finance Institute (ASFI) and submitted a meaningful response to the Feb. Sustainable Finance Taxonomy consultation[3].
- Mercer also joined Circular Australia, which is about to start working with ASFI on circular economy taxonomy detail.

Methodology

- *Mercer has a clear governance framework to review and join initiatives that align with our investment responsibilities & commitments, with all new initiatives approved regionally and globally by senior management. Initiatives are monitored six monthly for outcomes, value and any change in approach.*

1. *https://igcc.org.au/regenerate-restore-circular-economy-discussion-paper-for-investors-released-today/*
2. *https://www.climateaction100.org/net-zero-company-benchmark/findings/*
3. *https://www.asfi.org.au/publications/australian-framing-paper-designing-australias-sustainable-finance-taxonomy-final-paper*

2.7 Engagement

Tracking engagement value and outcomes - Australia

The summary below is an example of the regular monitoring on collaborative initiatives, progress and value. This is part of local board reporting but is conducted globally by the sustainable investment team for all initiatives.

Initiative name *and theme*	Objective(s)				Being met?	Review notes as at 31 December 2022
	Policy advocacy	Influence corporate practice	Develop industry best practice	Peer to Peer Learning		
30% Club *Theme: Governance - Diversity*		✓	✓	✓		**Australia**: Intended objectives were being met - as at Aug 22: ASX200 35.1% (AICD report). However, meetings are on hold awaiting a new chair and 40:40 Vision has become a local alternative – TBC for 2023. **Europe**: Just joined and will report in shortly.
Australian Sustainable Finance Institute *Theme: ESG Integration*	✓		✓			Started n 2021 as an initiative (Mercer representative was Chair of Working Group). Mercer Australia formally joined at the end of 2022, given new taxonomy in 2023 and active government engagement. Mercer submitted and inputted into consultations on multiple areas including the initial taxonomy proposal.
Investor Group on Climate Change *Theme: Environment*	✓		✓	✓		Intended objectives exceeded. Significant time amongst monthly meetings, working groups, and master classes – but information beneficial and recent policy statement is indicative of quality work. Also released circular economy discussion paper (Mercer representative is a co-author). Mercer representative is the Deputy Chair.
Climate Action 100+ *Theme: Environment*		✓	✓	✓		Excellent collated research on top emitting companies and great discussion amongst peer engagers. Other presentations from industry experts on sector detail etc. See latest progress report (Oct 2022) and company benchmarking on website. Mercer is currently a support investor for BHP.
Responsible Investment Ass. of Australasia *Theme: ESG + Social*	✓	✓	✓	✓		Peak industry body in Pacific. Annual conference, working groups plus answer regular annual surveys – important industry benchmarking. In multiple working groups (could be in more) producing multiple reports. Mercer representatives are heavily involved and contributing to the Working Groups and committees. Mercer representative also on the Board of RIAA.
Investors Against Slavery & Trafficking *Theme: Social*	✓	✓		✓		Intended objectives exceeded. Relatively new initiative. Bimonthly meetings. Support investor on 1 or 2 company engagements per year TBC. So far this is going well and proving worthwhile. Mercer representatives involved in Working Groups.

2.8 Proxy Voting

Proxy voting statistics

As a shareholder of publicly listed companies, Mercer has the right to vote at shareholder meetings, and regards voting its shares as important to its fiduciary responsibility. Mercer outsources proxy voting responsibility to its listed equity investment managers.

The table captures all voting activity in Mercer Australia listed equity funds, domestic and global, for the period 1 Jan 2022 – 31 Dec 2022 period.

FY22 Proxy Voting statistics summary	
Number of meetings voted	4,177
- Number of Australian meetings voted	401
Number of ballots voted	6,617
Number of proposals voted	47,585
Number of proposals unvoted	424
Proposals voted against management recommendation	12.1%*
Proposals with at least one vote against, withhold or abstain	14.4%^
Number of Super Votes used	1

Source: CGI Glass Lewis

Summary

- Mercer's managers voted 99% of meetings on Mercer's behalf.
- 12.1% of votes were against management's recommendation.
- One Super Vote was exercised in 2022 for unification of BHP's corporate structure and parent companies.

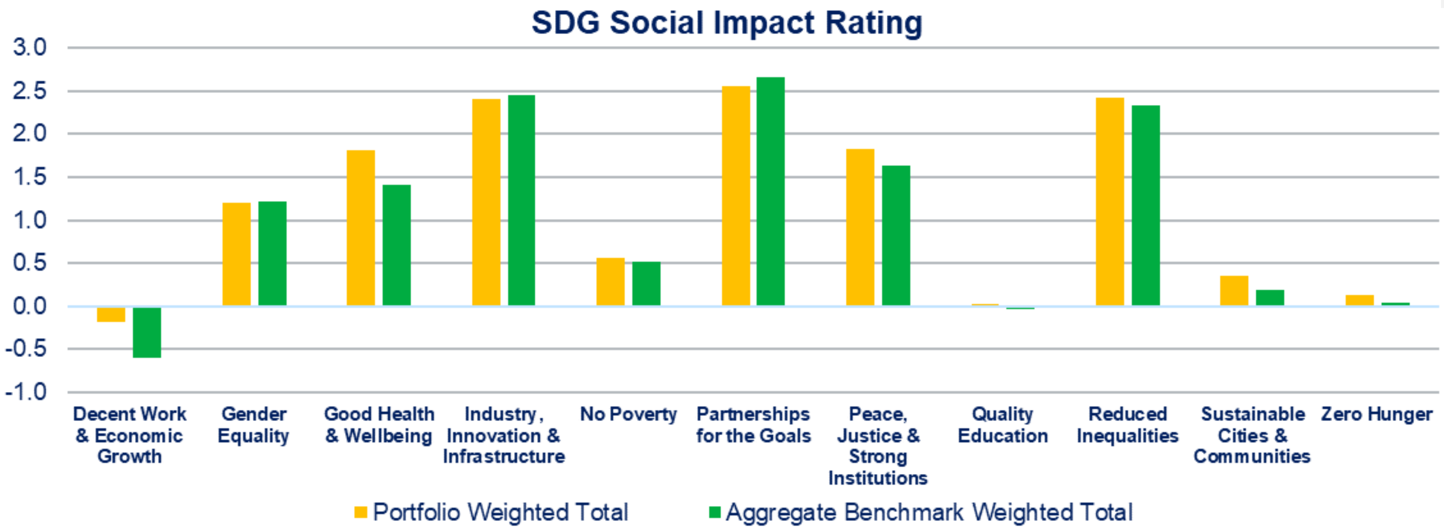
Methodology and notes

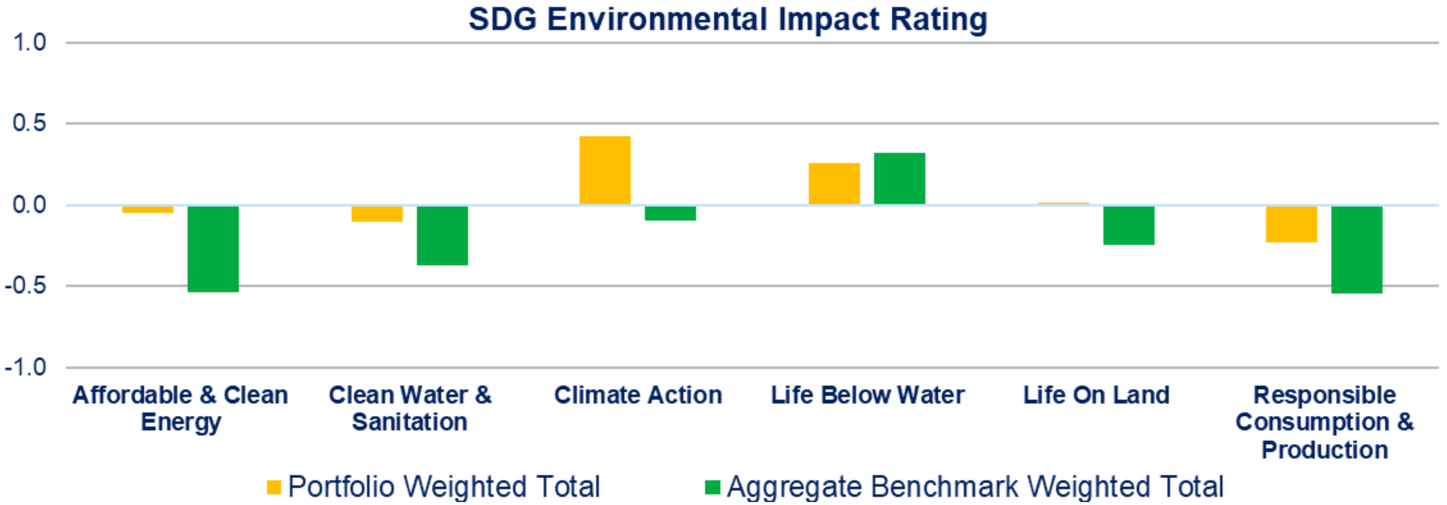
- *Mercer's public voting website includes access to vote disclosure where you can search for individual company resolutions for the prior six months.*
- *Unvoted meetings reflect market requirements for shareblocking, powers of attorney, or burdensome manual intervention for votes to be counted.*
- *Super Votes. At times managers will have different views on votes at company AGMs and Mercer will elect to adopt a 'super vote' to override where we believe the matter is significant and in investor best interests, drawing on views of leading managers and our proxy voting adviser.*
- **Mercer broadly expects votes against management to sit approximately in the 10-15% range.*
- *^Mercer broadly expects proposals with at least one vote against, withhold or abstain to sit approximately in the 10-15% range.*

2.9 Sustainable Development Goals

Portfolio results

This analysis assesses Swinburne's impact on the UN Sustainable Development Goals (SDGs). Measuring the impact helps identify those investments that are contributing to or obstructing the transformation required to achieve the important SDG objectives, providing risk and return insights.





Source: ISS ESG

Summary

- Swinburne's listed portfolio is **significantly more aligned** to the SDGs, particularly across environmental goals**,** compared to its aggregate benchmark. The University's Total Portfolio Impact Score is 1.73 vs. the benchmark of 1.00
- **Social Goals:** The portfolio company contribution to social goals is particularly positive across **Partnerships for the Goals, Industry, Innovation & Infrastructure** and **Reduced Inequalities.**
- **Environmental Goals:** The portfolio company contribution to environmental goals is particularly positive across **Climate Action** and **Life Below Water.**
- Overall this is an area that requires further review for where more positive impact alignment can be achieved, given the systemic implications of these low or negative benchmark and portfolio results.

Methodology

- *This analysis reviews the net impact (on a scale of -10 to +10).*

2.10 Exclusions Compliance

As an overarching principle, Mercer is committed to investing responsibly and prefers an integration and engagement-based approach to exclusions. However, there are a limited number of instances in which exclusions may be considered necessary.

Swinburne Portfolio	Standard Exclusion Screens					Sustainable Plus Funds Additional Screens						
	Tobacco Production (no threshold)	Tobacco Related Business Activities (>50% threshold)	Cluster Munitions Manufacturer (no threshold)	Landmines Manufacturer (no threshold)	Biological or Chemical Weapons Manufacturer (no threshold)	Carbon Intensive Fossil Fuels (>5% revenue)	Gambling (>5% revenue)	Adult Entertainment (>5% revenue)	Alcohol Production (>5% revenue)	Alcohol (other business related activities) (>50% revenue)	Depleted Uranium (RED flags)	Nuclear Revenue 0% or more + RED flag
Australian Shares												
Mercer Sustainable Plus Australian Shares Fund	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%^	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- S&P/ASX 300	0.0%	0.0%	0.0%	0.0%	0.0%	11.8%	0.7%	0.0%	0.9%	0.4%	0.0%	0.0%
Global Shares												
Mercer Sustainable Plus International Shares Fund - Unhedged Units	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%*
- MSCI World ex Australia	0.8%	0.0%	0.2%	0.2%	0.0%	0.3%	0.2%	0.0%	1.1%	0.0%	0.4%	2.4%

* Denotes exposure via pooled funds or indirect holdings, for which the SI Policy acknowledges implementation limitations.
^ An exclusions exemption currently applies for BHP.

Source: ISS ESG

Summary

- As at 31 December 2022, Swinburne's equity portfolio is compliant with the screening requirements outlined in the Responsible Investment Charter

Methodology

- *The analysis against the exclusions commitments has been completed for equities as at 31 December 2022.*

2.11 UN Global Compact
Screening

The table reflects Swinburne’s exposure to companies with allegations of irresponsible operations as per the UN Global Compact (UNGC) red flags.

Mercer’s investment managers are surveyed annually on their monitoring and management of UNGC breaches. Mercer utilises the results of this survey along with our internal assessment around exposure and materiality to guide our manager engagement process.

31-Dec-22	Contribution to Swinburne’s total portfolio exposure to UNGC red flag holdings*	Swinburne Portfolio	
		No. of stocks	Individual fund % exposure
Sustainable Plus Australian Equities	3.32%	1	11.12%
Sustainable Plus International Equities	0.11%	1	0.48%
Mercer Passive Global Listed Infrastructure Fund	0.00%	2	2.87%
Total	**3.44%**	**4**	
2021 Total	**9.20%**	**7**	

Source: ISS ESG

Summary

- As at 31 December 2022, the portfolio holding in companies with UNGC red flags was 3.4% of total equities. This represents $15.0m.
- The main company exposure was BHP, which connects to the company engagement outlined in the section 2.7 Active Ownership.
- **Swinburne’s exposures to UNGC red flags has decreased by 5.7% YoY**

Methodology

Assessment for irresponsible operations is based on UN Global Compact level 10 red flags under the ISS monitoring system.

- **Totals the exposure as a percentage of the equities portfolio, using weights based on asset allocation as at 31 December 2022*

2.11 Screening Monitoring
Modern Slavery

Mercer analysed the listed equity and real assets (Passive Global Listed Infrastructure) for any red flag (high severity) incidents in relation to modern slavery (aligned to UN Global Compact principles on forced labour and child labour).

Swinburne Portfolio	Holdings	% of Fund	$ Fund Exposure ($m)
Australian Equities			
Mercer Sustainable Plus Australian Shares Fund	0	0.00%	$ -
Global Equities			
Mercer Sustainable Plus International Shares Fund (UH)	1	0.04%	$ 0.04
Real Assets			
Mercer Passive Global Listed Infrastructure Fund	0	0.00%	$ -
Total	**1**	**0.04%**	**$ 0.04**

Source: ISS ESG

Summary

Modern Slavery Incident Indicator

- There were **no holdings with red flag incidents** in any Mercer Funds, consistent with 2021.

Additional Modern Slavery Incident watchlist

- There was **1 holding with an amber modern slavery flag** (rated 6/10) in the Mercer Funds in which Swinburne invests, which represents approximately 0.04% of the total Portfolio.
- These are not considered high severity and are monitored as a "watch list". Proactive engagement focusses on the highest risks.

Methodology

- *Marsh McLennan in the Pacific Region has a modern slavery program and associated statement, online here.*
- *Mercer has an investment specific modern slavery approach, which includes an **ongoing program of engagement** with managers based on **red flags, holding risk assessment results and manager surveys.***
- *For more information, please see Mercer's Investment Approach to Modern Slavery, online here*

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From Data Providers

ISS ESG

As referenced, some underlying data has been provided by ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. (“ISS”). ISS ESG solutions enable investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. For more on ISS ESG, please visit www.issgovernance.com/esg

MSCI ESG

In addition, some of the underlying data has been provided by MSCI which is ©2023 MSCI ESG Research LLC. Reproduced by permission.

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- The value of Gilts, bonds, and other fixed income investments including unit trusts can go down as well as up and you may not get back the amount you have invested.
- Investments denominated in a foreign currency will fluctuate with the value of the currency.
- The value of investments in real estate can go down as well as up, and you may not get back the amount you have invested. Valuation is generally a matter of a valuer’s opinion, rather than fact. It may be difficult or impossible to realise an investment because the property concerned may not be readily saleable.
- Certain investments, such as illiquid, leveraged or high-yield instruments or funds and securities issued by small capitalization and emerging market issuers, carry additional risks that should be considered before choosing an investment manager or making an investment decision.
- For higher volatility investments, losses on realisation may be high because their value may fall suddenly and substantially.
- Where investments are not domiciled and regulated locally, the nature and extent of investor protection will be different to that available in respect of investments domiciled and regulated locally. In particular, the regulatory regimes in some domiciles are considerably lighter than others, and offer substantially less investor protection. Where an investor is considering whether to make a commitment in respect of an investment which is not domiciled and regulated locally, we recommend that legal advice is sought prior to the commitment being made.

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