

Annual ESG Assessment Report

Swinburne University

April 2020

Overview of Swinburne's Sustainability Approach

This overview of Swinburne's approach to sustainability across the University as a whole was provided by University management and is included here for context only; Mercer was not involved in these activities and has not reviewed materials related to them.

- Swinburne has a wide-reaching approach to managing Environmental, Social and Governance (ESG) impacts, which focuses on:
 - Teaching and Learning
 - Research and Operations
 - Design, construction and management of campuses.
- This has been implemented through many initiatives such as:
 - Participating in the Science in Australia Gender Equity (SAGE) Pilot program
 - Establishing Swinburne's Reconciliation Action Plan (RAP) and employing an Aboriginal & Torres Strait Islander Employment Officer
 - Committing to the Australia / Pacific Regional Network of the Sustainable Development Solutions network and the global Green Impact program
 - Signing the Global Climate Emergency Letter and committing to 100% renewable energy procurement by 1 July 2020 and to be carbon neutral by 2025.
- Since 2016, Swinburne has also committed to managing ESG impacts in its endowment through the Responsible Investment Charter, which was revised in late-2019. Swinburne has appointed Mercer as its investment manager to manage its endowment investments.

Annual ESG Review

Objectives of the Review

- Swinburne University's Responsible Investment Charter sets out the University's overall philosophy, commitment and methodology for addressing ESG factors.
- Swinburne has committed to:
 1. The integration of ESG factors into its investment decision making process
 2. Active ownership through proxy voting and engagement (via 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 its investment portfolios where consistent with its 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. Report annually on its progress in implementing the Responsible Investment Charter
- This report summarises how Swinburne University has implemented its Responsible Investment Charter and its year on year progress in responsible investment.
- *All analysis has been provided by Mercer as the University's investment manager, based on data as at 31 December 2019, unless otherwise stated.*

1. Executive Summary

Overview of Swinburne's Position

1) **Assessment of Responsible Investment Charter**

- ✓ Swinburne is compliant with all commitments within the RI Charter

2) **Highlights of ESG Practices in Swinburne's portfolio**

- ✓ Swinburne performed better than relevant benchmarks and exhibited year on year progress on all key ESG performance indicators in 2019.
- ✓ The portfolio is compliant with all exclusions.

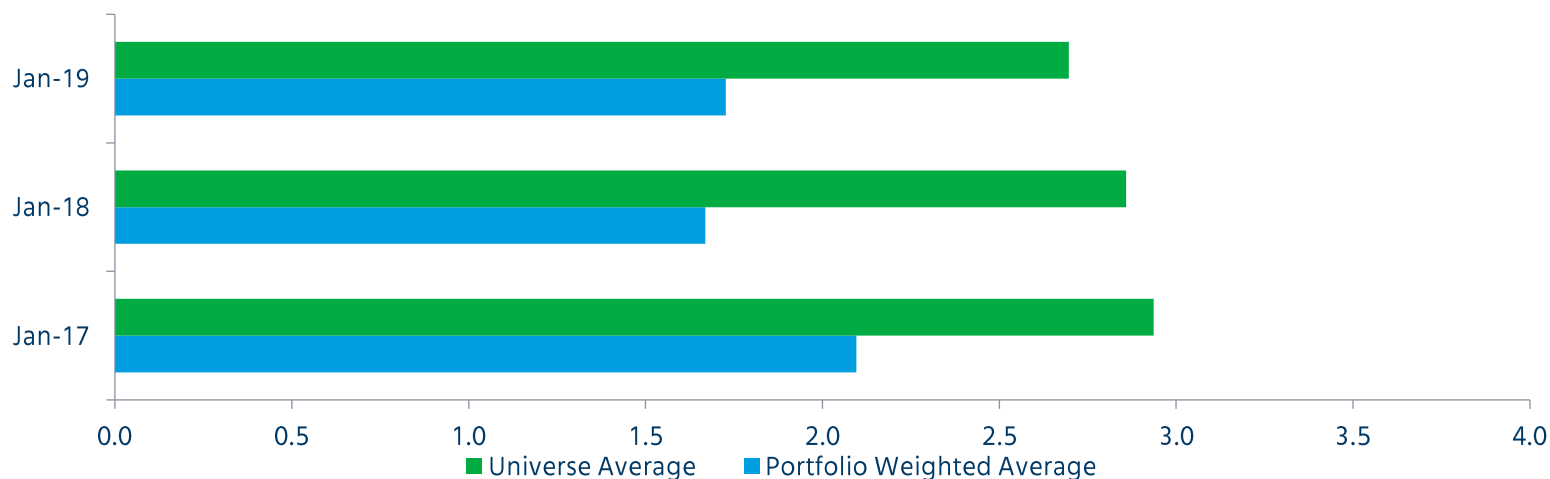
2. ESG Ratings

Total Portfolio

- Mercer's ESG ratings reflect how well underlying investment managers integrate ESG into the investment process. ESG1 represents full integration of ESG throughout the investment process, and a strong commitment to active ownership across environmental (E), social (S) and governance (G) factors. ESG4 represents limited ESG integration and little to no commitment to active ownership. Ratings are assigned to individual investment products by Mercer's independent global Manager Research team.
- **In 2019, the weighted average ESG rating of the total portfolio was 1.73, compared to 1.67 in 2018.**
- The ESG rating for all asset classes improved over 2019, with the exception of Global Absolute Return Bonds, Emerging Market Debt and Global Credit.
- Mercer notes that generally Fixed Income funds have a poorer average ESG rating but this is to be expected as industry progress on ESG integration has been slower, although this is improving.

	2017	2018	2019	Year on Year	Year on Year
Weighted Average ESG Rating	2.10	1.67	1.73	0.06	3.49%

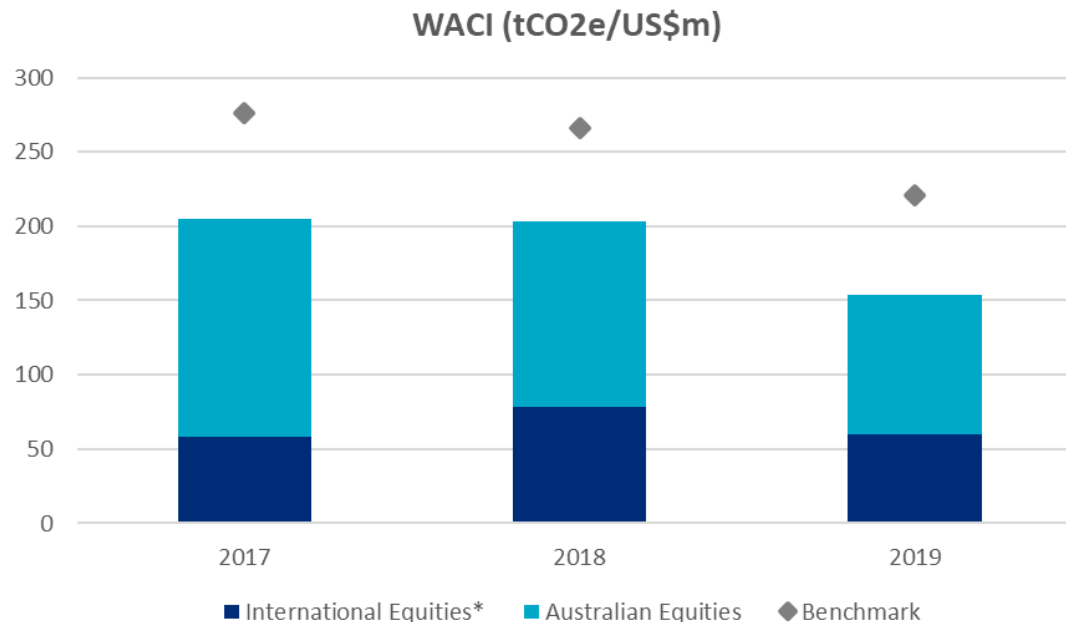
Allocation represents SAA weights of the aggregate Swinburne fund.



3. Carbon Footprint

Listed Equity Portfolio

- Swinburne's listed equity portfolio is less carbon intensive than the aggregate benchmark. All underlying funds have a carbon intensity that are either below or in line (for passive funds) with their respective benchmarks.
- ✓ **In 2019, the total weighted average carbon intensity (WACI) of Swinburne's listed equity portfolio was 30.7% below the aggregate benchmark, a 3.2% improvement from 2018 (27.5% below benchmark).**
- ✓ **All underlying funds have a carbon intensity that are either below or in line with their respective benchmarks.**



4. Exclusions Criteria

Compliance

- Swinburne's Resource Committee agreed the following divestment objectives: thermal coal, tobacco producers, cluster munition manufacturers or landmine manufacturers.
- ✓ **As at 31 December 2019, the fund held no thermal coal, tobacco producers, cluster munition manufacturers or landmine manufacturers as per the definition agreed on.**
- ✓ **As at 31 December 2019, Swinburne's investments are in-line with its policy commitments of holding no prohibited investments.**

5. Active Ownership

Proxy Voting & Engagement

Given Swinburne's commitment to active ownership, Mercer's 2019 active ownership practices on behalf of the University are summarized below:

Proxy Voting

- ✓ Where shares are held directly by Mercer on behalf of Swinburne University via mandates, they are voted in line with Mercer's Sustainable Investment Policy which focuses on voting in the long term interest of shareholders, improving governance and encouraging transparency and disclosure, including around ESG issues.
- ✓ In 2019, Mercer voted at 366 meetings in Australia and 3,230 overseas meetings, or **approximately 94% of meetings**.

Engagement with Managers

- ✓ Swinburne's underlying investment managers also engage companies on material ESG issues in order to reduce risk and unlock long-term value. In December 2019, Mercer surveyed managers on their engagement approach with portfolio companies, with an explicit focus on our three priority topics - **Climate Change, Modern Slavery, and Diversity**. The results of this survey are feeding into ongoing engagements with investment managers.
- ✓ Mercer is involved in both direct and collaborative initiatives driving engagement beyond the portfolio.

6. UN Sustainable Development Goals Portfolio Alignment

- Recent industry practice has seen funds use the United Nations Sustainable Development Goals (SDGs) as a proxy for investments that are addressing sustainability challenges
- Using MSCI ESG manager, Mercer has mapped Swinburne's portfolio holdings (where possible) to the Sustainable Development Goals (using a 50% revenue threshold). Results are only available for the following asset classes: listed equity, direct property and direct infrastructure.

Sustainable Investment Indicator	Total Portfolio
SDG Solutions	22.7%
\$ Value	\$50,236,355.01

Based on data from MSCI ESG Research, and Mercer

- Of the 17 SDGs, this analysis addresses the following goals: 2 (Zero Hunger), 3 (Good Health & Well-being), 4 (Quality Education), 6 (Clean Water & Sanitation), 7 (Affordable & Clean Energy) and 9 (Industry, Innovation & Infrastructure).
- Swinburne's portfolio has the highest allocation to environmental impact, positively contributing towards climate change and natural capital. Within climate change solutions, these investments focus on alternative energy, energy efficiency and green buildings.

7. Fixed Income – Green Bonds

Portfolio Alignment

- Using Refinitiv, Mercer has analyzed Swinburne’s green bond exposure within the Fixed Income portfolios.
- A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.
- **24 bonds are identified as a “green bond” within the portfolio, which represents 0.04% of Swinburne’s total portfolio, \$80,163 in dollar terms.**

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