



Responsible Investment

Peer Benchmarking and Modern Slavery Update

Swinburne University of Technology

November 2020



welcome to brighter

Peer Benchmarking

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Peer Benchmarking

Introduction

- Mercer has provided the following ESG Peer Benchmarking report to allow Swinburne to review what we consider to be current Responsible Investment (RI) best practice among University endowments.
- The report is designed to help Swinburne 'take an outside view in' from a stakeholder point of view and as such is evaluated on publicly available information only. We draw on published policies, reports and examples or evidence of practice.
- RI practice among funds is an evolving area and hence this report is designed to update the Committee on the current state of play among peer university endowments.
- As RI practices amongst peers are continually developing and improving, for Swinburne to maintain its leading position it will also need to strive to advance its practices.
- Swinburne's Responsible Investment Charter was updated in 2019 and the peer assessment reflects the changes that were made.

Peer Comparison

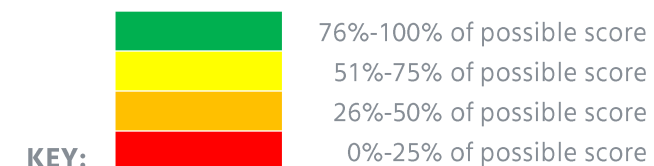
Methodology

An overview of Mercer's proprietary ESG Peer Benchmark methodology is provided here.

- Swinburne University and its peers are assessed on **31 separate ESG indicators**, across **6 core assessment areas**, with a **total possible score of 50** (ESG indicators are not equally weighted).
- Results are based on **publicly available information only**, as collected by Mercer. Where Mercer is aware of additional initiatives undertaken privately, these were noted but not scored.
- Many funds will take different approaches to ESG / RI. Not all approaches may be appropriate or suitable to all funds.
- In 2019, Mercer updated its Peer Benchmark methodology and indicators to better capture the range of possible RI approaches and global best practice.

Peer Comparison

Summary of Results



Name	Governance of ESG	Integration	Active Ownership	Exclusions	Thematic	Transparency	Total Score
→ Swinburne 2020	13	10	10	2	2	1	38
Peer 1	9	10	11	1	1	5	37
Peer 2	10	13	6	2	2	3	36
Peer 3	10	11	6	2	2	5	36
Peer 4	10	11	6	2	0	4	33
Peer 5	8	10	1	2	2	4	27
Peer 6	9	10	4	0	1	1	25
Peer 7	8	9	1	2	1	4	25
Peer 8	9	8	2	2	1	0	22
→ Swinburne 2019	7	5	1	2	0	4	19
Peer 9	5	9	2	1	0	0	17
Peer 10	8	6	1	1	0	0	16
Peer 11	0	1	0	1	0	0	2
Peer 12	0	0	0	1	0	0	1
	13	13	11	2	2	9	50

Modern Slavery Update

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Summary of Swinburne's approach to managing modern slavery risk across the university

This summary of Swinburne's approach to modern slavery risk management activity 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.

- Supplementing the university's commitment to sustainability as evidenced by our signing to the UN Sustainable Development Goals and commitment to be net zero by 2025, we have a focus on minimising the risk of modern slavery within our supply chains.
- The university is obligated under the Modern Slavery Act to publish a modern slavery statement annually, the first due by June 2021. A draft statement was tabled at Swinburne's Audit & Risk Committee meeting in February 2020.
- Swinburne is working collaboratively with universities across Australia on a sector-wide solution to achieve efficiencies and enhance the impact of our efforts. Our Director of Sustainability & Procurement is Co-Chair of the Australian University Procurement Network Modern Slavery Working Group. Key initiatives through the sector group include:
 - Development of a risk dashboard which analyses risks across Swinburne and the sector's supply chains, by category and by country
 - Final stages of a tender process to select a technology solution that will provide more detailed risk assessment and coordination of actions/remediation
 - Engagement with key modern slavery associations on potential collaborations, including Cleaning Accountability Framework & Electronics Watch

Summary of Swinburne's approach to managing modern slavery risk across the university (cont.)

- Establishment of an Academic Advisory Board, comprised of 12 senior experienced academics across Australia, who are providing advice and guidance
- Development of contract clauses, questionnaires, supplier code of conduct, and statement templates
- Currently developing a sector response methodology to be used in response to any instances of modern slavery identified, including data analysis, supplier engagement, university education, communications etc.
- Within Swinburne, actions undertaken include:
 - Analysis of Swinburne spend to understand risks across our supply chain
 - Development of a modern slavery questionnaire
 - Inclusion of modern slavery questions in key market/tender events to evaluate modern slavery risks and actions
 - Education and engagement
 - Inclusion of modern slavery obligation in contract templates

Modern Slavery analysis results

Incident analysis

- Mercer analysed the listed equity and fixed income funds for any red flag incidents in relation to modern slavery (aligned to UN Global Compact principles on forced labour and child labour).
- There were **no holdings with red or amber flags** found in any of the funds in which Swinburne University invests.

Country and Industry analysis

- Mercer developed a proprietary approach to proactively assess fund exposure to **countries and industries with a high risk of modern slavery**.
- Mercer analysed 20+ investment strategies, assigning low, medium, high and severe risk quartiles. **No funds fell into the severe risk quartile.**
- Mercer has already commenced engagement with all of its investment managers, specifically on their Modern Slavery-related activities, via a manager engagement survey. Mercer will prioritise managers for further engagement based on risk exposure and quality of survey responses.

Mercer Investments approach to Modern Slavery

- Mercer welcomes the introduction of Modern Slavery Act in Australia, and will issue its Statement by 30 June 2021.
Modern Slavery presents several risks to investors, including investment, reputational and regulatory risk.
- Mercer has a firm-wide, cross functional **working group on Modern Slavery** and a dedicated investments **Modern Slavery Program** (summary right) aligned to our firm-wide approach.
- Our Modern Slavery Program (MSP) centres around a robust **risk assessment** and various activities to **address risk, including engagement**.
 - **Our risk assessment** spans operations, suppliers and investments and aligns to the MSA 2018 Act and Guidance.
 - **Activities to address risk** include a focus on manager engagement, incorporation of modern slavery into policy and process, internal training and external awareness raising
- Each year Mercer will **review the MSP for improvement opportunities**, such as evolving the program as data availability and reporting trends mature.
- A **Mercer-wide Modern Slavery Statement** will be issued each year, which will include some investments content. Mercer will supplement this with additional investments-specific content, including in our annual ESG updates to clients.

Modern Slavery Program (MSP)

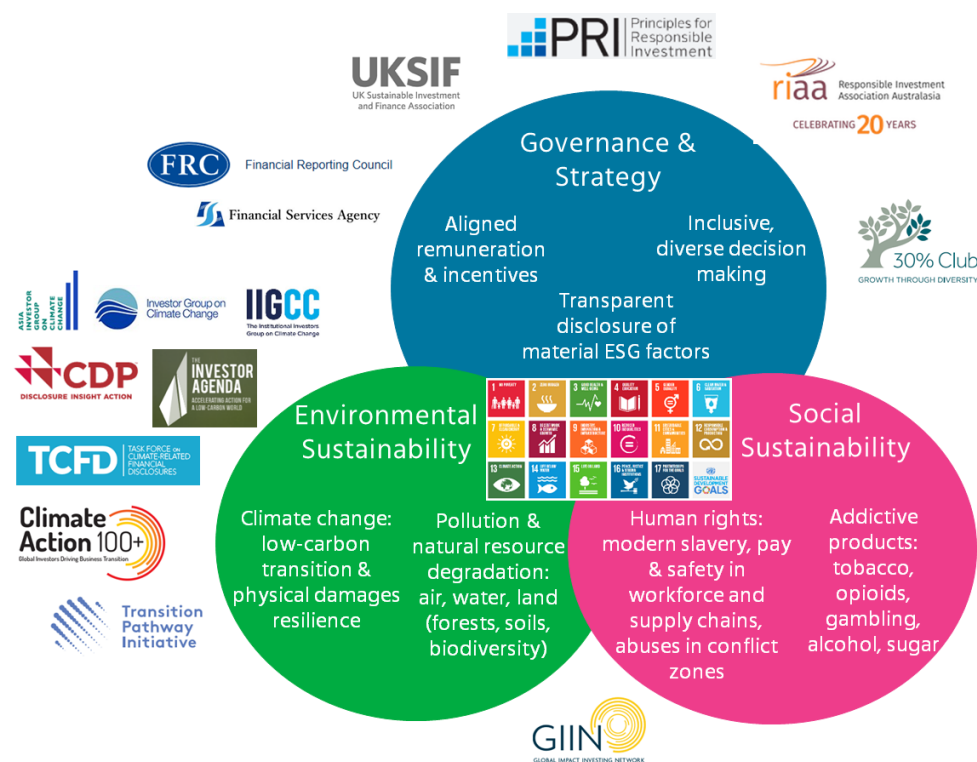


Each component has underlying actions and objectives

Active Ownership on Modern Slavery & Human Rights

Collaborative Engagement

- In 2020 Mercer launched its Modern Slavery assessment framework and advisory service. Under this program, Mercer has developed a full service model to help clients meet their requirements under the Modern Slavery Act and take steps to identify and eradicate modern slavery. The program of work is led by Timothy Stamp in the Responsible Investment team and Liana Brover in the Governance & Legal Consulting Team.
- Mercer is a member of the **Responsible Investment Association of Australasia (RIAA) Human Rights Working Group**, the **PRI Human Rights Consultation Framework**, and the **Global Impact Investing Network (GIIN)**.



Active Ownership on Modern Slavery & Human Rights

Engagement & proxy voting

Direct Engagement

- **Rio Tinto:** Immediately following destruction of the Juukan Gorge caves, Mercer proactively reached out to Rio Tinto to engage about the incident. In June 2020, **Mercer engaged with the company's Chairperson** who shared Rio Tinto's response and action plan stating how they aimed to address key governance and sustainability concerns highlighted by the Juukan Gorge incident. Mercer's ability to gain access to senior management and board is possible as a result of the current significant shareholding Mercer maintains in Rio Tinto. Mercer was told the company has committed to a number of actions and importantly a board-led review, which will include independent experts and traditional owners, both to understand what went wrong in this particular case and importantly, to avoid similar incidents going forward. From a shareholder perspective Mercer is initially supportive of these actions by Rio Tinto and will closely watch the outcome and recommendations.
- **Qantas:** Mercer used a Super Vote **to vote Against** a shareholder proposal at Qantas Airlines asking it to **review its human rights risks** in light of the Australian government's policy to deport asylum seekers who were not granted the right to remain in the country. Mercer determined to vote Against the proposal because Mercer did not believe the airline was the appropriate body to adjudicate on specific asylum cases and the right to remain. Rather, this should be left with the courts/ government.

Manager Engagement

- In December 2019, Mercer undertook an investment manager engagement survey to assess how its appointed investment managers were engaging on its behalf across ESG issues. 42 managers (74% by number) responded to the survey.
- The survey specifically asked managers about their approach to "identifying, assessing and addressing the risk of exploitative business practices which could be defined as modern slavery (or an abuse of human rights) within your investment portfolios".
 - While only 28% of managers are captured by the Modern Slavery Act, as of January 2020, 53% had a policy for addressing modern slavery and human rights abuses in their investment portfolios, and 54% had introduced modern slavery risk controls. 59% of managers also reported engaging with portfolio companies on modern slavery in company supply chains.

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