

Annual Sustainable Investment Review

Swinburne University of Technology

Public Version

Data as at: 31 December 2024



Executive Summary



Annual Sustainable Investment Review

Background

Swinburne University of Technology (**Swinburne or University**) has appointed Mercer Investments (Australia) Limited (**MIAL**) as its Implemented Consultant. This Annual Sustainable Investment Review (**Report**) will make reference to Swinburne's investments in certain Mercer funds (**Swinburne's Portfolio or the Swinburne Portfolio**). MIAL appoints and monitors specialist third-party investment managers, who are responsible for making security and asset selection decisions in line with the investment objectives of the respective Mercer funds. Each Mercer fund's offer document¹ summarises the Environmental, Social and Governance (**ESG**) technique/s applicable to that Mercer fund.

Swinburne University's Responsible Investment (**RI**) Charter, approved by Council in December 2015 and last updated in 2025, sets out the University's overall philosophy, commitment and methodology for addressing ESG factors.

As set out in its RI Charter (<https://www.swinburne.edu.au/content/dam/media/docs/swinburne-university-responsible-investment-charter.pdf>), the University has committed to the following:

1. The integration of ESG factors throughout the investment process
2. Active ownership through proxy voting and engagement (via its Implemented Consultant, MIAL) focusing on the key areas of i) Climate Change ii) Human Rights and Modern Slavery and iii) Sustainable Development
3. Supporting innovation and sustainability within its investment portfolio where consistent with risk and return objectives
4. Exclusion of companies that are inconsistent with a sustainable future (specifically Tobacco companies, Gambling 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 the University's responsible investment implementation plan.





The University's Audit and Risk Committee, a sub-committee of the Council, monitors Mercer's ESG activities through due diligence and reporting. This Report provides an overview of key ESG considerations applied to the Swinburne Portfolio (as at December 2024).

Mercer's Sustainable Investment Approach

Sustainable investment is a term used to describe a range of approaches to investments that give regard to how ESG factors and systemic trends may impact future investment outcomes.

Mercer's ESG implementation process adopts **four primary techniques** (shown right), applied to varying extents in each relevant Mercer fund (as per the offer documents), with more detail on stewardship provided in the MIAL Stewardship Policy¹.



 Integration	 Stewardship	 Exclusions	 Investment
Objective: Integration of ESG factors in relevant investment decisions. This includes appointing third-party investment managers who assess and reflect ESG risks and opportunities when they select investments and construct their portfolios.	Objective: Engagement with third-party appointed investment managers, companies, and policymakers and/or via proxy voting at the annual general meetings of listed companies. This can include both Mercer's direct engagement with the above-mentioned groups, such as Mercer's monitoring of third-party appointed investment managers, or engagement that the Mercer funds' third-party appointed investment managers undertake with companies on MIAL's behalf.	Objective: Seek to avoid investment in or remove or reduce exposure as much as practicable to certain companies or securities with involvement in defined products or business activities (detailed in the relevant Mercer fund's offer documents ²).	Objective: Investment in sustainability themes (applies to the Mercer funds' sustainable-labelled funds).
Disclosure: Voluntary and mandated reporting			

¹MIAL Stewardship-Policy.pdf ² Single Sector Funds | Mercer funds

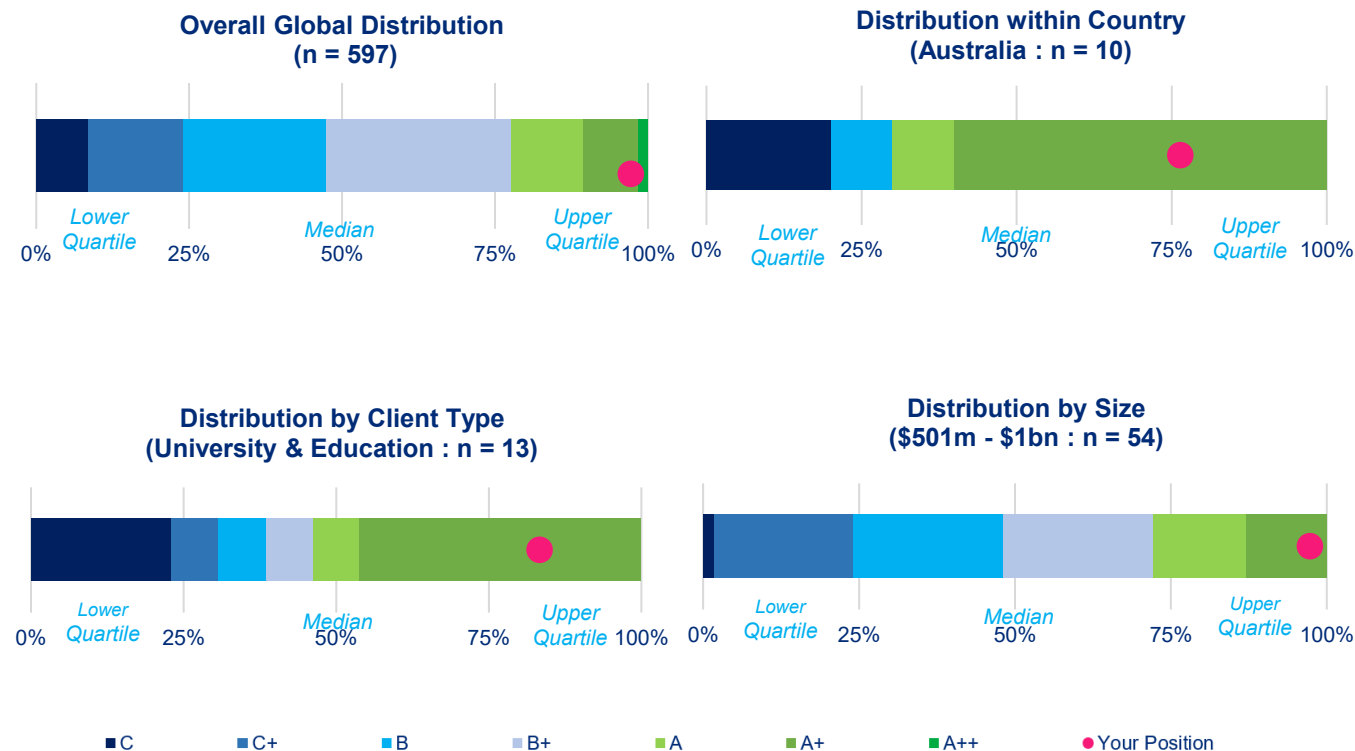
Assessment Areas

2

Peer Relative Positioning

Mercer's [Responsible Investment Total Evaluation \(RITE\)](#) assessment produces an objective evaluation (conducted through a structured survey of asset owners) that can be monitored over time and can provide peer-relative insights. The assessment considers the extent to which asset owners are currently integrating ESG considerations into investment decision making.

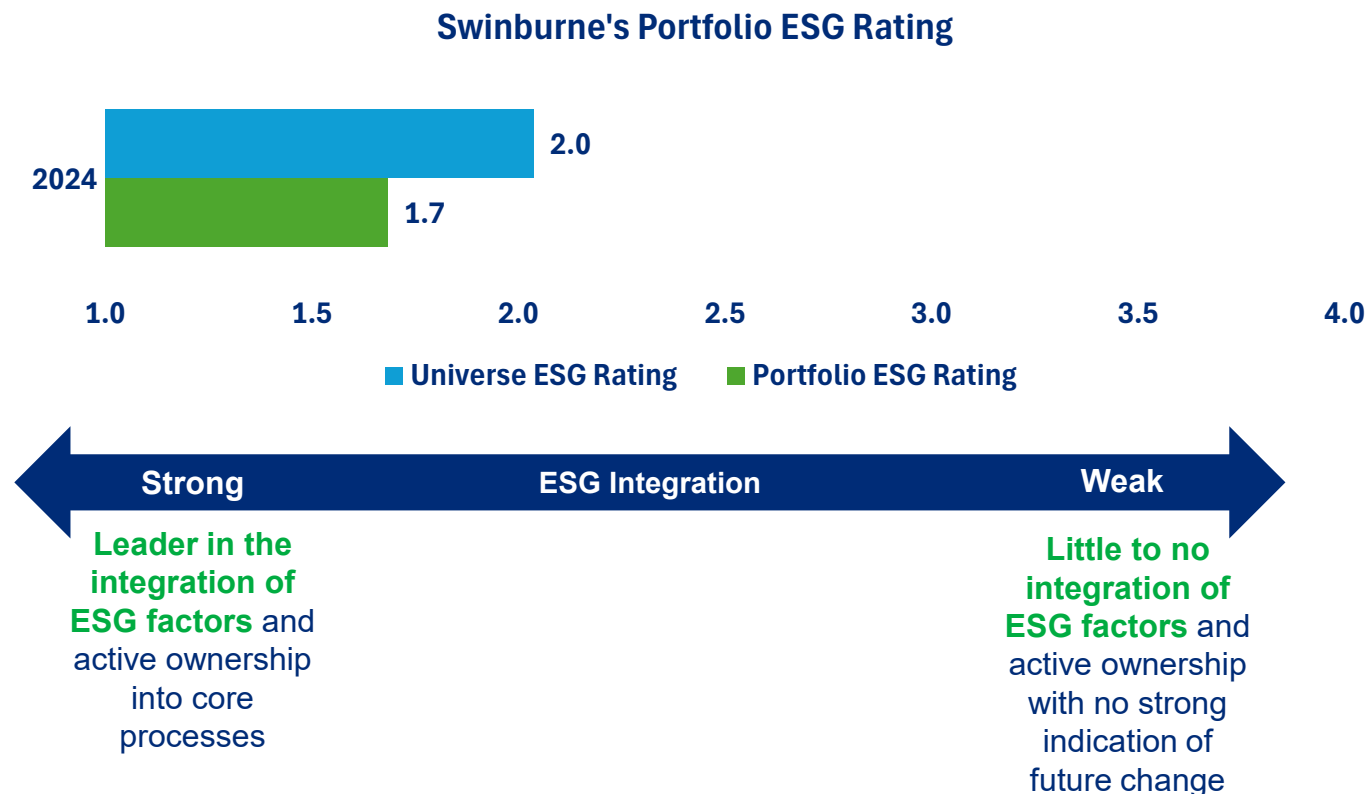
Swinburne rated A+ (86%) on the RITE assessment. This rating is awarded to asset owners who have achieved between a 76-90% score for ESG integration across the four areas of Beliefs, Policy, Process and Portfolio. Swinburne's score is within the upper quartile of Mercer's global peer group, as well as within the Australian peer group, global University and Education sector, and within its size cohort.



Swinburne's Portfolio ESG Rating

The ESG ratings represent Mercer's global manager research views on the extent to which ESG factors and active ownership practices are integrated into a third-party appointed investment manager's investment decision making process. Strong ESG integration is an important part of third-party appointed investment manager selection criteria at Mercer, and the aim is to maintain a better than benchmark ESG rating across all Mercer funds.

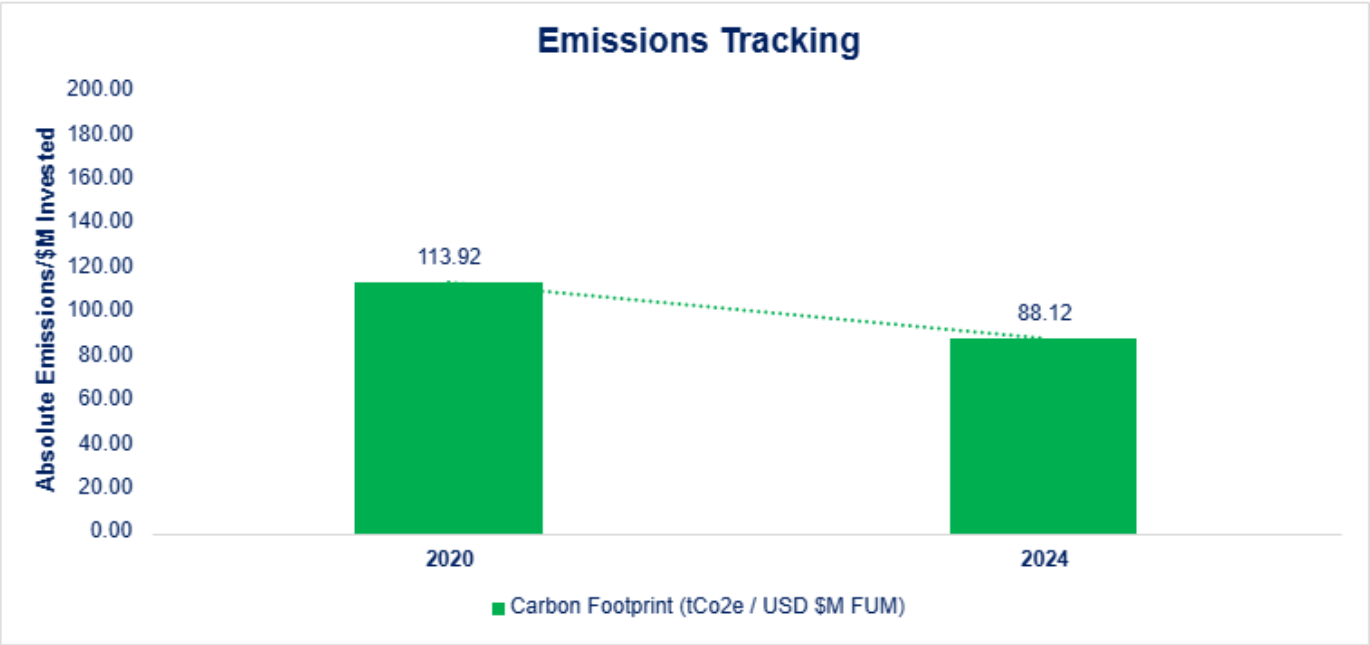
As at December 2024, the weighted average ESG rating of the Swinburne Portfolio invested in Mercer funds was 1.7*, stronger than the relevant composite Universe ESG Rating of 2.0. The Universe is based on the aggregate ratings for all investment strategies within Mercer's research peer group. A rating of 1 represents strong integration of ESG factors and stewardship into core investment processes, and a rating of 4 represents little to no integration of ESG factors and active ownership into core processes, with no indication of future change. The lower the number, the better the level of ESG integration.



Climate Metrics – Emissions Tracking

Mercer uses carbon footprint¹ as a metric to measure and report on overall portfolio emissions and reductions over time.

How Mercer’s portfolio emissions reduction translates into emissions reduction for Swinburne’s Portfolio is illustrated in the chart below. The Swinburne Portfolio, which invests into various Mercer funds, has decarbonised by 22.6% on an absolute carbon emissions/\$M invested basis against a 2020 baseline year.



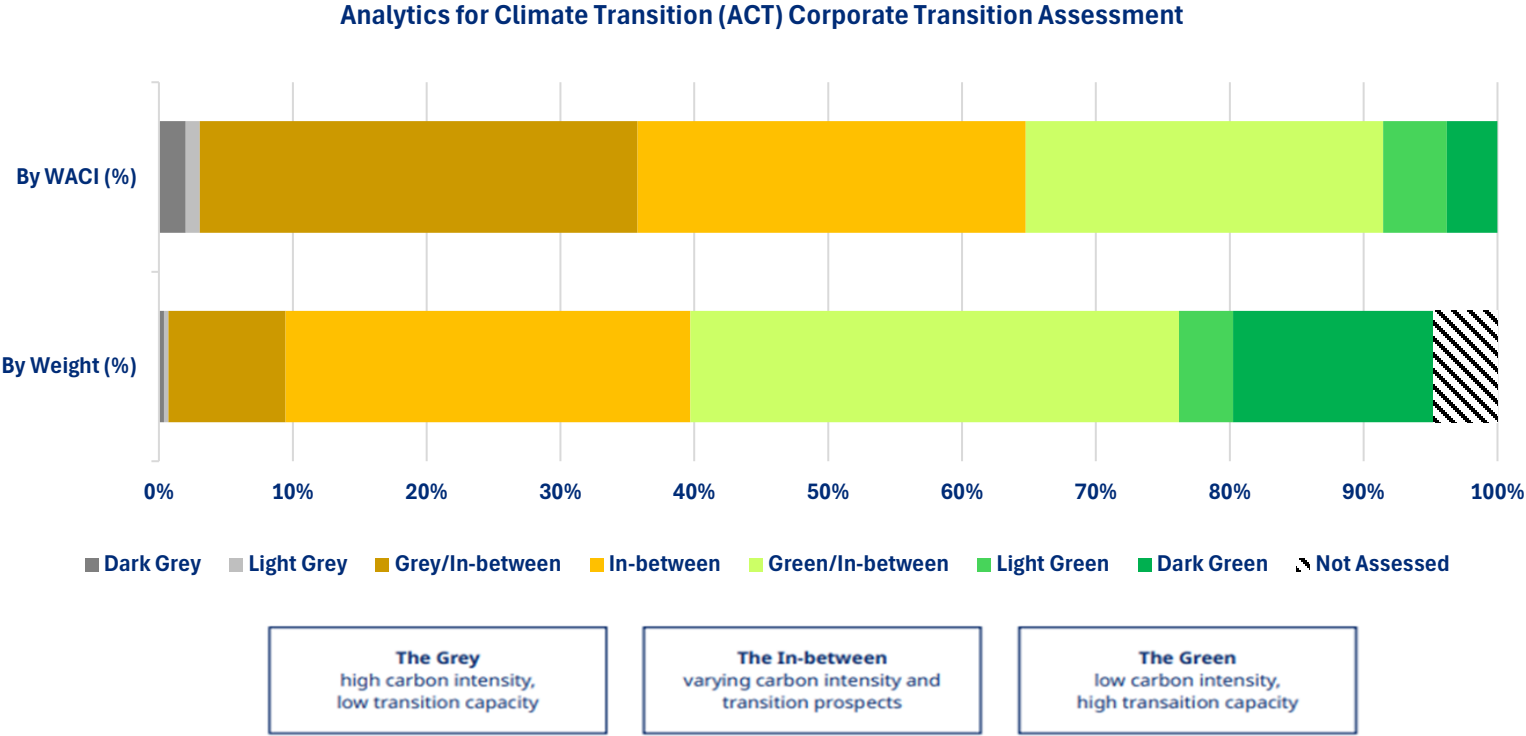
Source: MSCI ESG Manager

Notes:
1. Carbon footprint is defined as absolute carbon emissions per \$M of FUM, and covers Scope 1&2 emissions
2. The chart above reflects the emissions reduction of the Swinburne Portfolio

Climate Metrics – Transition Capacity

The Analytics for Climate Transition (**ACT**) tool is a strategic forward-looking assessment of climate transition risk and opportunity within an investment portfolio. This analysis helps Mercer prioritise emissions reductions across its overall portfolio, guide third-party appointed investment manager engagement and identify climate transition aligned opportunities.

The chart below shows the categorisation of Mercer funds' holdings by transition capacity and by weight for Swinburne's portfolio. The majority of Swinburne's assessed¹ portfolio is categorised positively for transition capacity, by the Weighted Average Carbon Intensity (WACI) metric and by weight (as illustrated below).



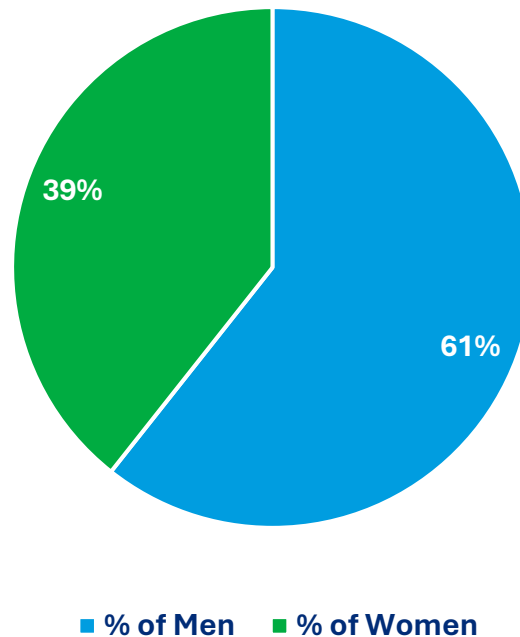
Source: Mercer with underlying data from MSCI and ISS

Diverse representation

Diverse representation is a strategic priority¹ for Swinburne University. Industry research² shows 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, and that greater diversity helps drive stronger, risk-adjusted returns for asset owners over the long-term.

Board gender diversity analysis³ across Swinburne's Portfolio found that on average, women held 39% of Board positions. Mercer's annual manager engagement survey and investment due diligence process includes monitoring of diverse representation across key decision makers within portfolio management teams.

Gender Diversity on Corporate Boards

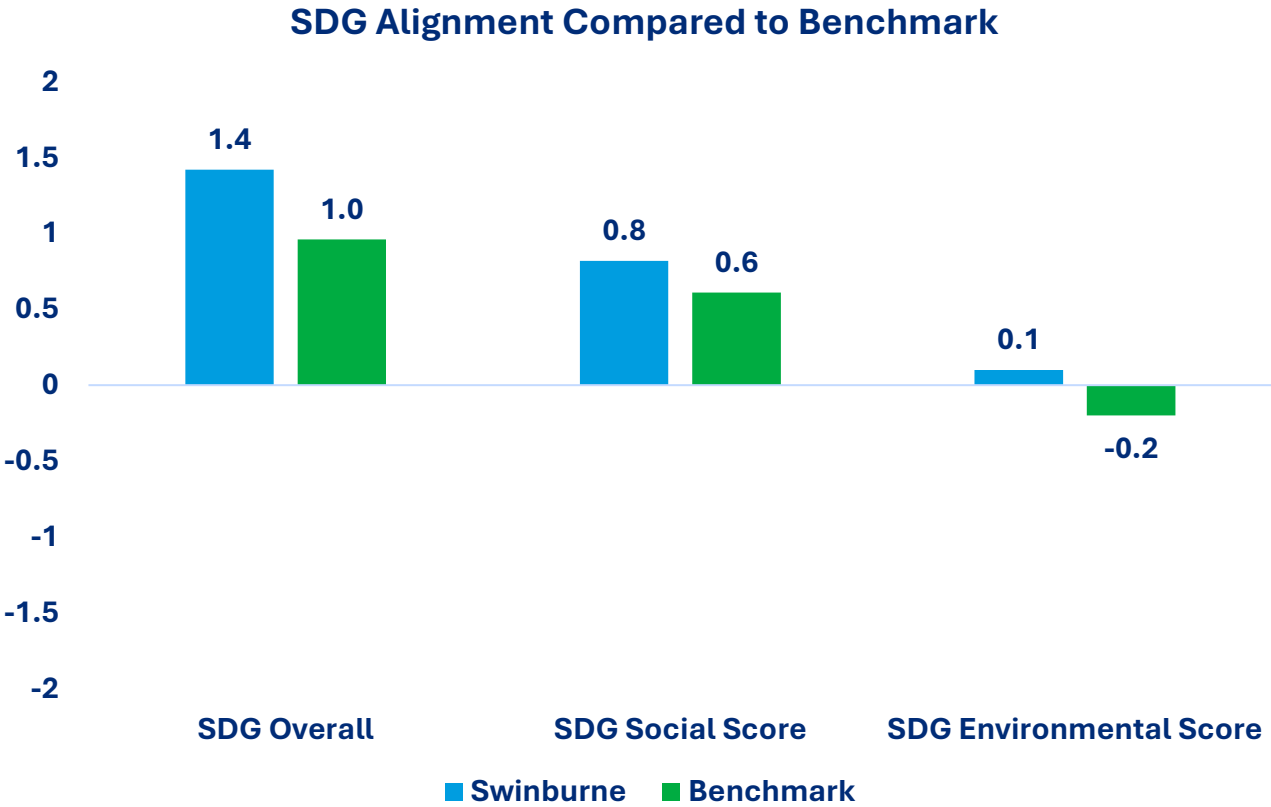


Source: ISS ESG

Sustainable Development Goals

The [UN Sustainable Development Goals \(SDGs\)](#) alignment analysis¹ assesses the Swinburne Portfolio's impact on the SDGs. Measuring the impact helps identify (through alignment of business revenue and operational conduct) those investments that are contributing to, or obstructing, the transformation which seeks to achieve the important SDG objectives.

Swinburne's Portfolio is more strongly aligned to the SDGs than its aggregate benchmark, with a portfolio net impact score² of 1.4 (vs. 1.0 for the benchmark). The Swinburne Portfolio has positive impact scores across all social objectives. The Swinburne Portfolio's impact score is more muted across environmental objectives, however, still exceeds the aggregate benchmark. Notably, the portfolio is more strongly aligned than the benchmark in SDG 13 (Climate Action).



Source: ISS ESG

1. This analysis only includes Mercer funds in listed asset classes.
2. The SDG Impact Rating uses numeric scores to indicate a company's impact, presented on a scale from -10 (significant negative impact) to +10 (significant positive impact).

Summary of Stewardship Activities

Focus areas: third-party appointed investment manager survey, collaborative engagement and proxy voting update

Mercer's third-party appointed investment managers provide information on their stewardship activities by completing an annual survey. The survey results highlight the ESG activities that the third-party appointed managers focus on and prioritise within their ESG programme. The proxy voting results and examples of collaborative engagement participation are also included. Mercer delegates the exercise of proxy voting rights to third-party appointed investment managers and expects the third-party appointed investment managers to vote shares in a timely manner and in a manner deemed most likely to protect and enhance long-term value. MIAL's voting approach is detailed in our recently developed [Stewardship Policy](#).

Third-party appointed investment manager engagement survey results - as at December 2024 (proportion of third-party appointed investment managers that responded yes)	
Response rate in the Pacific	95%
Have ESG Policy	99%
Asset class results awarded 4/5 stars by the PRI at latest review	81%
Prepared climate change disclosure statement in line with Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations	81%
Have framework in place to identify, track and report on labour practices and human rights risks	72%
Consider nature/biodiversity in investment decisions	60%
Listed Equity strategies have more than 30% of the strategy's key decision makers identify as female.	21%
Proxy voting	
Meetings Mercer's third-party appointed investment managers voted on Mercer's behalf	99%
Voted against management's recommendation	7%
Priority Votes used ²	9

Examples of collaborative engagements Mercer has participated in	
Investor Group on Climate Change (IGCC)	Contributed to IGCC submissions on sustainable finance strategy and mandatory climate disclosures. Policy engagement and research feeds into Mercer's stewardship program and multiple beneficial reports and meetings. A Mercer representative is on the Board.
Climate Action 100+	Mercer is part of the investor engagement group for multiple companies (including BHP, Santos, Wesfarmers and Woodside) and attended various meetings with other investors ¹ .
Responsible Investment Association Australasia (RIAA)	Continued participation in First Nations Working Group and the Human Rights Working Group. A Mercer representative is on the RIAA Board.

¹ <https://www.climateaction100.org/net-zero-company-benchmark/>

²When considering ESG factors in voting activities, Mercer seeks to support resolutions that encourage transparency, accountability and alignment with shareholder interests and timeframes. MIAL's voting approach is detailed in its [Stewardship Policy](#). A Priority Vote is undertaken when MIAL reviews and intervenes in manager positions, typically because it is across one of the Mercer funds' most material holdings, there is some contention around the vote, and MIAL believes its intervention would better reflect its view on the best interests of investors.

Source: Mercer Investments (Australia) Limited

Modern Slavery

Mercer seeks to identify, assess and address modern slavery risks in its investment processes, and expects its third-party appointed investment managers to do the same. As at 31 December 2024, Mercer's Modern Slavery incident and allegation screen identified no listed equity holdings with red flagged incidents in any Mercer funds (as determined using data from a third-party data provider, ISS ESG).

The graphic below outlines the key components of the modern slavery program for the Mercer funds



[1] Subject to data availability, noting that fixed income has the lowest data availability, and cash is taken to be an overall low-risk asset class so individual holdings are not assessed.

[2] The incident and allegation analysis covers listed equities only and uses data from a third-party provider (ISS ESG).

Source: Marsh McLennan (Pacific) [Modern Slavery Statement 2024](#).

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