

Supplementary
**Sustainable
Investment
Policy**



Mercer (N.Z.) Limited
Mercer Investment Funds
Mercer Wholesale Funds

3 March 2023

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Section 1

Important Notice

This is a Supplementary Sustainable Investment Policy ('Supplementary SI Policy') to the Mercer (N.Z.) Ltd Sustainable Investment Policy covering the Mercer Investment Trusts New Zealand ('MITNZ') ('SI Policy') dated February 2022.

This Supplementary SI Policy is intended to be temporary and will become obsolete as the Mercer Investment Funds and the Mercer Wholesale Funds (together the 'Mercer New Zealand Funds') are incorporated within the Mercer (N.Z.) Ltd Sustainable Investment Policy in due course. On 3 March 2023, the manager of the Mercer New Zealand Funds changed from Macquarie Asset Management NZ Limited to Mercer (N.Z.) Limited. Compliance with this policy is monitored; if any breaches are identified they will be rectified as soon as possible.

This Supplementary Sustainable Investment Policy is designed to detail the policies applicable to the Mercer New Zealand Funds; listed below.

Clients of the Mercer New Zealand Funds should read this instead of the existing SI Policy. Clients of the MITNZ should ignore this document and instead read the existing SI Policy found [here](#).

Mercer (N.Z.) Limited ('Mercer') is the Manager of both the MITNZ and the Mercer New Zealand Funds and the issuer of this Supplementary SI Policy.



The following funds are within the Mercer New Zealand Funds structure:

- Mercer Macquarie NZ Cash Fund
- Mercer Macquarie NZ Fixed Interest Fund
- Mercer Macquarie NZ Short Duration Fund
- Mercer Macquarie Global Income Opportunities Fund
- Mercer Global Shares Fund
- Mercer Core Global Shares Fund
- Mercer Core Hedged Global Shares Fund
- Mercer Emerging Markets Shares Fund
- Mercer Income Generator Fund
- Mercer NZ Shares Fund
- Mercer Macquarie Global Listed Real Estate Fund
- Mercer Macquarie Global Listed Infrastructure Fund
- Mercer Macquarie Australian Shares Fund
- Mercer Ethical Leaders Global Shares Fund
- Mercer Ethical Leaders NZ Shares Fund
- Mercer Ethical Leaders Conservative Fund
- Mercer Ethical Leaders Balanced Fund
- Mercer Ethical Leaders Growth Fund
- Mercer Ethical Leaders Hedged Global Fixed Interest Index Fund
- Mercer Macquarie Real Return Opportunities Fund
- Mercer NZ Shares Passive Fund
- Mercer All Country Global Shares Index Fund
- Mercer Australian Property Index Fund
- Wholesale Unit Trust Global Shares Fund 1
- Wholesale Unit Trust Global Shares Fund 4
- Mercer Global Index Shares Fund
- Mercer Hedged Global Index Shares Fund

Section 2

Exclusions

As an overarching principle, Mercer is committed to investing responsibly and prefers an integration and engagement-based approach to an exclusionary approach.

There are however, a limited number of instances in which exclusions of certain investments may be necessary. These exclusions will apply where Mercer is able to instruct the investment manager of its exclusion requirements but this may not always be possible in relation to certain types of investments such as collective investments, in which case Mercer adopts an approach of monitoring the investment and where necessary seeks to cease participation as market conditions allow.

We consider that exclusions should be a last resort because once divested, Mercer loses its shareholder rights and thereby the ability to influence the future behaviour of companies.

The reasons to exclude certain sectors, products, activities or companies are likely to be a combination of factors that make continuing to invest in those untenable.

These factors include, but are not limited to: investment beliefs, risk management considerations, expected social impact or level of harm, public policy position, societal norms, investor expectations, efficacy of other approaches such as engagement, ability to influence, and expected impact on portfolio returns.

Mercer engages a third party ESG research provider to provide an exclusions list based on the criteria listed below.

Core Exclusions

The following funds apply the Mercer New Zealand Funds exclusions criteria:

- Mercer Macquarie NZ Cash Fund
- Mercer Macquarie NZ Fixed Interest Fund
- Mercer Macquarie NZ Short Duration Fund
- Mercer Macquarie Global Income Opportunities Fund
- Mercer Global Shares Fund
- Mercer Core Global Shares Fund
- Mercer Core Hedged Global Shares Fund
- Mercer Emerging Markets Global Shares Fund
- Mercer Income Generator Fund
- Mercer NZ Shares Fund
- Mercer Macquarie Global Listed Real Estate Fund
- Mercer Macquarie Global Listed Infrastructure Fund
- Mercer Macquarie Australian Shares Fund
- Wholesale Unit Trust Global Shares Fund 1
- Wholesale Unit Trust Global Shares Fund 4
- Mercer Global Index Shares Fund
- Mercer Hedged Global Index Shares Fund

Activity	Involvement type	Screen applied
Civilian firearms	Production	> 0% of revenue
Controversial weapons	Verified involvement in anti-personnel landmines, biological weapons, chemical weapons, nuclear weapons or cluster munitions	
Tobacco/e-cigarettes	Distribution	> 50% of revenue
Tobacco/e-cigarettes	Production	> 0% of revenue

Net revenue is used where gross revenue is not available.

Ethical Leaders Exclusions

The following funds apply the Mercer New Zealand Funds ethical leaders exclusions criteria:

- Mercer Ethical Leaders Global Shares Fund
- Mercer Ethical Leaders NZ Shares Fund
- Mercer Ethical Leaders Conservative Fund
- Mercer Ethical Leaders Balanced Fund
- Mercer Ethical Leaders Growth Fund
- Mercer Ethical Leaders Hedged Global Fixed Interest Index Fund

Activity	Involvement type	Screen applied
Alcohol	Production	> 10% of revenue
Armaments (military)	Production	> 10% of revenue
Civilian firearms	Production	> 0% of revenue
Controversial weapons	Verified involvement in anti-personnel landmines, biological weapons, chemical weapons, nuclear weapons or cluster munitions	
Fossil fuel	Distribution, services	> 10% of revenue
Fossil fuel	Exploration, production	> 0% of revenue
Fossil fuel	Power generation	> 0% of revenue* (see "green list process")
Gambling	Any involvement	> 10% of revenue
Live animal exports	Any involvement	> 10% of revenue
Nuclear power	Production, services	> 10% of revenue
Pornography	Production	> 10% of revenue
Tobacco/e-cigarettes	Distribution	> 50% of revenue
Tobacco/e-cigarettes	Production	> 0% of revenue

*Net revenue is used where gross revenue is not available.

A "Green List" of companies was created to identify companies/assets that will be removed from the exclusions list and remain in the investible universe despite being captured by one of the screens. Green companies are those that meet all of the below criteria:

- generate more than 50% of their revenue from power generation and have renewable energy sources comprising more than 50% of their power generation
- have a percentage of power generation capacity that is coal <10% or <10% of revenue from coal mining
- have a percentage of revenues derived from fossil fuels (production, distribution or services, combined) <30%
- have a Science Based Target Initiative (SBTi) approved transition plan.

Voting

Mercer believes that stewardship, or active ownership, helps the realisation of long-term investor value of companies and markets through voting and engagement.

As a shareholder of publicly listed companies, Mercer has the right to vote at shareholder meetings, and we regard voting its shares as important to our fiduciary responsibility. Mercer outsources proxy voting responsibility to its listed equity investment managers who are expected to vote in these meetings where practical.



Climate Change

Mercer believes climate change poses a systemic risk, with financial impacts driven by two key sources of change:

1. The physical damages expected from an increase in average global temperatures, and
2. The associated transition to a low-carbon economy. Each of these changes presents both risks and opportunities to investors, as outlined in Mercer's Investing in a Time of Climate Change reports.

Mercer believes that limiting global average temperature increases this century to “well below two degrees Celsius”, as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors. Mercer NZ supports this end goal and increasingly seeks to align portfolios with that objective where this is also consistent with meeting stated investment objectives. This is demonstrated by Mercer NZ's commitment to achieve net-zero absolute carbon emissions for the MITNZ Funds by 2050 and expectation to reduce portfolio carbon emissions by 45 per cent from 2020 baseline levels by 2030 (see announcement [here](#)). Macquarie Asset Management (MAM) committed to net zero emissions by 2040. Mercer will review the timeframe of the Mercer New Zealand Funds commitment in due course.

¹ Defined as: absolute carbon emissions per \$M of FUM, Scope 1&2 emissions for the Mercer Investment Trusts New Zealand in aggregate.



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Mercer universes: Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

Risk warnings: The value of your investments 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. Certain investments carry additional risks that should be considered before choosing an investment manager or making an investment decision.

Disclaimer for Wholesale Investors

Mercer (N.Z.) Limited (Mercer) is the Manager of the Mercer Investment Wholesale Funds. The Mercer Investment Wholesale Funds are a range of unregistered wholesale investment trusts. Investors should be aware that the value of an investment in any of the Mercer Investment Wholesale Funds investment options may rise and fall from time to time and that neither Mercer nor its related entities guarantees or accepts any legal liability arising from or connected to, the investment performance, earnings or return of capital invested in any of the Mercer Investment Wholesale Funds investment options.

To invest in the Mercer Investment Wholesale Funds, you will need to complete an application form included in, or accompanying, a current Mercer Investment Wholesale Funds Information Memorandum which is issued by, and available from Mercer. The Mercer Investment Wholesale Funds are only open to investment by a person who is a wholesale investor for the purposes of the Financial Markets Conduct Act 2013.

The information contained in this document is of a general nature only and does not take into account the personal objectives, financial situation or needs of individual investors. It is important that you consider these matters, read the Mercer Investment Wholesale Funds Information Memorandum and obtain advice from an appropriately qualified financial adviser before making any investment decision. The investment returns shown for the Mercer Investment Wholesale Funds throughout this document do not take into account the unique characteristics that apply to each investor (such as timing of cash flow). As a result, the actual investment returns applying to a particular investor may differ from the investment returns shown in this document. You should also remember that past performance should not be relied upon as an indicator of future performance.

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Investors should be aware that the value of an investment in any of the Mercer investment options may rise and fall from time to time and that neither Mercer nor its related entities guarantees or accepts any legal liability arising from or connected to, the investment performance, earnings or return of capital invested in any of the Mercer investment options. The information contained in this document is of a general nature only and does not take into account the personal objectives, financial situation or needs of individual investors. It is important that you consider these matters, read the relevant Product Disclosure Statement and obtain advice from an appropriately qualified financial adviser before making any investment decision. The investment returns shown throughout this document do not take into account the unique characteristics that apply to each investor (such as timing of cash flow). As a result, the actual investment returns applying to a particular investor may differ from the investment returns shown in this document. You should also remember that past performance should not be relied upon as an indicator of future performance.

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