

Sustainable Investment Policy

Mercer (N.Z.) Limited

December 2025



Contents

Purpose, Overview and Scope	3
Purpose	3
Overview	3
Scope	3
Principles and Implementation Techniques	4
Integration	5
Stewardship approaches	6
Engagement	6
Voting	6
Escalation	8
Disclosure	8
Exclusions	9
Exclusions Criteria	9
Additional Exclusions Criteria	10
Determining whether companies or securities meet an Exclusions Criteria	12
Operational limitations or exceptions for exclusions	12
Investment in Themes	13
Appendix A – Responsible and Sustainable Funds	14
Appendix B – Scope of Excluded Funds and Asset Class	16
Appendix C – Climate Change	17
Climate targets	17
Key assumptions	17
Appendix D – Policy Governance	19
Appendix E – Revision History	20

Purpose, Overview and Scope

Purpose

This Sustainable Investment policy (Policy) outlines our approach to environmental, social and governance (ESG) factors, stewardship, exclusions and investment in themes that apply (except where expressly stated) to the investment funds for which Mercer (N.Z.) Limited ('Mercer NZ', 'we', 'our', 'us') acts as a manager being at the date of this Policy the Mercer Investments Trust New Zealand (MITNZ), Mercer Wholesale Funds (MWF), the Mercer Investment Funds (MIF), Mercer KiwiSaver scheme, Mercer FlexiSaver, Mercer Super Trust, New Zealand Defence Force KiwiSaver Scheme and Defence Force Superannuation Scheme. Together, these funds are defined as "the Funds" in this Policy.

Overview

Mercer NZ is responsible for developing and implementing investment strategies for the Funds. We appoint third-party investment managers (Investment Managers) to manage funds, mandates and individual securities via co-investments, directs and secondaries¹. We undertake a range of supervisory activities in respect of our Investment Managers with the aim of ensuring Investment Managers act consistently with mandates and/or contractual terms and the principles set out in this Policy when they select securities or other assets and construct portfolios. This is set out further in the 'Principles and Implementation Techniques' section below.

Mercer NZ relies on specialist third party ESG research providers and their methodology for implementing this Policy, (for example, for voting execution, reporting and for company-level data on ESG factors and determining the securities to be excluded based on the Fund's exclusions criteria). We aim to review providers every three years (or more frequently if required) and may change providers from time to time.

Scope

Sustainable investment (SI) is a term we use to describe a range of approaches to investment that have regard to how ESG factors may impact future investment outcomes. Sustainable investment and related practices may mean different things to different investors. We have defined the implementation techniques we use, but do not guarantee that our principles or implementation techniques align with the individual sustainability beliefs or preferences of any given investor.

Mercer NZ's view is that the principles of sustainable investing can be broadly applied across asset classes such as Trans-Tasman shares, international shares, growth fixed interest, defensive fixed interest, real assets and alternatives. However, the degree of relevance, based on materiality as well as implementation capability, can vary significantly across asset classes. For example, Mercer NZ does not regard sustainable investment principles to be relevant to investment in cash. For more information, see the asset class relevance table in the 'Principles and Implementation Techniques' section below. In practice, our principles are not implemented absolutely nor uniformly across all holdings, strategies, Investment Managers or Funds. They are applied where relevant and practicable, and in line with the specific SI practices set out in this Policy for each asset class. The degree of relevance or materiality of ESG risks varies across asset classes and other factors, such as the type of investment strategy as noted below.

- **Directed Investments** are investments where we can direct and control our exposure to individual securities via our Investment Managers, including through individually managed portfolios of securities. Directed Investments do not include our investments in pooled vehicles (including managed investment schemes and exchange traded funds) where the manager or trustee is external to Mercer NZ, and where we cannot direct or control our exposure to individual securities within the pooled investment. Directed Investments also do not include some forms of derivatives and related parties pooled vehicles, as described below.
- **Related Parties pooled vehicles** means investments where Mercer NZ can generally have more influence in the way assets or underlying exposures are managed than other pooled vehicles, but that influence is not so significant that the investments should be regarded as Directed Investments. This may include investments we gain exposure to as a holder in a related entity pooled vehicle, such as Mercer Investments (Australia) Limited funds.

Investors should also consider the Product Disclosure Statement or Information Memorandum as applicable (Offer Document) for each relevant Fund. This Policy does not apply to the excluded funds and asset classes listed in Appendix B.

¹ This describes the way in which our Single Sector Funds, are managed. The Diversified Funds are typically constructed with a number of underlying Single Sector Funds. Examples of Single Sector Funds are an Overseas Shares fund or a Short Term Bond fund.

Principles and Implementation Techniques

We believe sustainable investment approaches are consistent with an objective to create and preserve long-term investment capital, where relevant and aligned with achieving investment objectives.

This is informed by Mercer's global philosophy and principles, updated in 2024 (available [here](#)) and our local experience implementing and evolving our sustainable investment approach for over a decade.

Mercer NZ has principles to guide our implementation approach, summarised into four techniques:

- **Integration of ESG factors** in relevant investment decisions can potentially enhance portfolio resilience. This includes appointing investment managers who assess and reflect ESG risks and opportunities when they select investments and construct their portfolios.
- **Stewardship**, via engagement with Investment Managers, companies and policymakers and/or

via proxy voting at listed company annual general meetings, can improve investment outcomes by leveraging investor rights and influence. Engagement may be undertaken with companies or policymakers via Investment Managers, collaborative initiatives and/or directly by us.

- **Exclusions** that seek to avoid investment in, or remove exposure as much as practicable to, certain companies or securities with involvement in defined products or business activities can help respond to stakeholder expectations where integration and stewardship are considered to be insufficient.
- **Investment in themes**, which is only applicable to the Sustainable Funds² (refer to the table below and 'Investment Themes' section on page 13), may provide additional opportunities to improve risk-adjusted returns.

The degree of relevance or materiality of ESG risks varies across asset classes and other factors, such as the type of investment strategy. Below is a summary of the general applicability of these techniques to particular asset classes.

For pooled vehicles such as the Mercer All Country Global Shares Index Fund and the Mercer Australian Property Index fund in the MIF and any related parties pooled vehicles, we do not have influence over the way underlying assets are managed, and the above-mentioned degree of relevance or materiality of ESG may vary in particular for these funds.

Asset classes	Integration of ESG factors	Stewardship via engagement*	Stewardship via voting	Exclusions	Investment in Themes
Trans-Tasman, International / Global Shares	Applicable depending on investment strategy [^]	Applicable	Applicable	Applicable for Directed Investments only	Not applicable
Real Assets (property and infrastructure)	Applicable depending on investment strategy [^]	Applicable	Applicable for listed assets within Directed Investments. Not applicable to unlisted assets	Applicable for Directed Investments only	Not applicable
Alternatives*	Applicable depending on investment strategy [^]	Applicable depending on investment strategy [†]	Not applicable	Not applicable	Not applicable
Fixed Interest	Applicable depending on investment strategy [^]	Applicable depending on investment strategy [^]	Not applicable	Applicable for Directed Investments only	Only applicable to Sustainable Global Credit [~]
Cash	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

* Alternatives include a range of different strategies and are only relevant to those Diversified Funds with an allocation to Alternatives (as set out in the Asset Allocation table in each Fund's Offer Document).

[^] Application of ESG integration varies according to the type of investment strategies adopted, as integration of ESG factors is not typically applicable to passive/indexed strategies and some alternatives and fixed interest strategies.

Engagement in this context refers to engagement with companies in which we invest and may be via Investment Managers or directly with companies. Refer to the 'Stewardship via Engagement' section below for more information.

[†] Application of Stewardship varies according to the type of investment strategies adopted, as Stewardship is not typically applicable to some alternatives and fixed interest strategies.

[~] Applies to the Mercer Sustainable Global Credit portfolio in the MITNZ as well as those underlying funds which invest into this portfolio being the Mercer Responsible diversified portfolios in the MITNZ (Conservative, Moderate, Balanced, Growth and High Growth) and the Mercer KiwiSaver scheme diversified funds (Conservative, Moderate, Balanced, Growth and High Growth).

For more information on how these techniques are applied in relation to climate change, please see Appendix C.

² Appendix A lists the Mercer NZ funds which are labelled as Sustainable or Responsible Funds.

Integration



Assessing financially material ESG factors into investment decision-making can potentially enhance portfolio resilience.

For example, in selecting and appointing Investment Managers, we aim to assess the extent to which consideration of ESG risks and the likelihood of being rewarded is included in the manager's investment approach for the relevant strategy (e.g. climate-related transition risk). We may also engage with Investment Managers to encourage improvement, where identified in our monitoring activities.

The table below contains examples of ESG factors that may be considered by us and our Investment Managers. Not all ESG factors are considered in, or relevant to, all parts of the investment process or our decision-making. A key part of incorporating ESG information is determining which factors and information are most relevant and material to decisions, and how best to incorporate them. Our oversight is focused on systemic, intersecting risks that potentially pose material financial risk and return implications across portfolios, such as changes in sustainability, transition and socio-economic risks.

ESG Factor Examples

Environmental	Social	Governance
Climate change	Health and safety	Board diversity, composition and effectiveness
Natural capital and biodiversity	Labour standards and modern slavery, including supply chains	Executive remuneration
Waste and pollution	Human rights	Conduct, culture and ethics
		Shareholder rights

During the Investment Manager selection process and on a periodic basis, Mercer NZ will qualitatively assess an investment strategy's level of ESG integration in the investment process, including resourcing by the Investment Manager. This is done by drawing on the Mercer Manager Research team (MMR) and their views, together with the investment team's views. MMR largely undertakes a qualitative assessment of an Investment Manager's ESG capabilities based on desk-based research, as well as meeting with Investment Managers' key investment personnel.

Where relevant and aligned with the investment strategy and objectives of a Fund, Mercer NZ has a preference to appoint investment managers with stronger ESG integration capabilities rather than weaker. This is particularly relevant for the Funds we define as Responsible or Sustainable³, offered by Mercer NZ.

³ Appendix A lists the Mercer NZ funds which are labelled as Sustainable or Responsible Funds.

Stewardship approaches

We utilise two primary approaches to stewardship – engagement and voting.

Engagement

Engagement may be undertaken with companies or policymakers via Investment Managers, collaborative initiatives and/or directly by Mercer NZ or Mercer globally. We also typically engage with our Investment Managers on at least an annual basis, for example through an annual survey covering all relevant strategies and targeted meetings by asset class.

Mercer NZ believes its Investment Managers are typically best placed to conduct engagement with companies or assets on our behalf and, where relevant, this is an expected part of an Investment Manager's stewardship approach. The Investment Managers make investment decisions within a strategy and are expected to identify potentially material opportunities or risks that may require engagement activity. However, Mercer NZ may also conduct engagement activities with companies directly, or through involvement in collaborative initiatives, where we believe engagement by Mercer NZ is in the best interests of our investors.

We may also engage with regulators, governments and other policymakers, collaboratively or directly, to recommend changes or express views on current or proposed regulation or policy positions where we consider this important to protect the rights or enhance the interests of our investors.

Engagement seeks to target ESG factors identified as potentially material, for example company board governance or remuneration, climate change risks and opportunities, or emerging matters of concern (such as high severity incidents and controversies).

Mercer NZ may use a range of inputs to determine when engagement may be warranted. These include but are not limited to ESG research from an external provider, information gained through collaborative initiatives, Mercer's own research or tools, information gained through engagement with Investment Managers, and ESG portfolio analysis.

Voting

As a shareholder of publicly listed companies, Mercer NZ has the right to vote at shareholder meetings and regards voting our shares as an important aspect of Mercer NZ's sustainable investment approach. For unlisted companies, voting may be undertaken where we have an Advisory Board seat or have certain voting rights in specific funds or individual assets. Stewardship via voting is not applicable for unlisted real assets (i.e. directly held property and infrastructure).

We delegate the exercise of our proxy voting rights to our listed equity Investment Managers and where practical, expect the listed equity Investment Managers to vote the shares in a timely manner and in a manner deemed most likely to protect and enhance long-term value. An Investment Manager's capability in stewardship is usually evaluated as part of the investment manager selection process, to seek alignment with Mercer NZ's commitment to promote good governance and long-term value creation.

Mercer NZ's stewardship program includes an assessment that considers whether a listed equity Investment Manager has their own voting policy that sets out the principles and guidelines under which rights to vote are exercised and seek evidence and examples where relevant.

Mercer NZ engages the services of a third party proxy advisor (Glass Lewis, at the time of writing) to provide proxy voting research and to facilitate the collation and reporting of proxy voting data, which Mercer NZ uses to monitor Investment Manager voting. Our ability to directly monitor and report on proxy voting only applies to Directed Investments.

From time to time, a Fund may hold listed equities in a transition account where the transition manager does not have a voting policy or capability. In these instances, Mercer NZ will seek to vote the shares in the transition account in alignment with the recommendations of the proxy advisor, or in accordance with our Priority Vote process where applicable as set out below.

Exercising a 'Priority Vote'

While proxy voting decisions are typically delegated to the listed equity Investment Managers, Mercer NZ retains the right to review Investment Manager vote intentions and rationale, and potentially align votes for our account in certain circumstances. There may be resolutions where votes are 'Mixed' or 'Split' if the Investment Managers vote differently. When Mercer NZ reviews and potentially intervenes in Investment Manager positions (Priority Vote), this is usually because it is one of our most material holdings, there is some contention around the vote, and Mercer NZ believes its intervention would better reflect our view on the best interests of investors as well as aligning with our voting principles as described in the 'Voting principles' section on page 7.

In determining such votes, Mercer NZ may consider a range of factors, including:

- its proxy advisor's recommendation
- the view of its listed equity Investment Managers,
- particularly those we believe to have a high level of stewardship expertise
- collaborative initiative research, and/or
- the company's views.

Mercer NZ may also conduct its own research or engage with the relevant company to inform its decision, and may provide prior notice to the company of its voting intentions.

When a Priority Vote is exercised, Mercer NZ will also seek to apply the voting decision to any relevant shares held in transition accounts.

The Voting principles discussed below apply to Mercer NZ's decision making in the case of a Priority Vote.

Voting principles

When considering how to vote, we generally seek to support resolutions that encourage transparency, accountability and alignment with shareholder interests and timeframes.

As mentioned above, Mercer NZ expects its listed equity Investment Managers to establish their own voting policy that sets out the principles and guidelines under which rights to vote are exercised. However, Mercer NZ has developed internal voting principles to help guide decisions where a Priority Vote is being considered. They may also be used on occasions where Mercer NZ is reviewing Investment Manager proxy voting decisions.

Mercer NZ's voting principles are documented within internal procedures and we aim to review these procedures at least annually. In summary, these include principles addressing governance topics – such as director elections, board composition, and remuneration – and stewardship on environmental and social topics.

Operational limitations for voting

Mercer NZ's objective is to vote all listed shares (either by delegation to Investment Managers or through a Priority Vote) on a best endeavours basis. However, there may be circumstances where Mercer NZ or its Investment Managers may be unable to participate in a vote. Mercer NZ seeks to reduce the extent of such voting exceptions through monitoring activities and engagement with Investment Managers on their voting systems and practices. There may also be circumstances where the Investment Manager or Mercer NZ decides that abstaining from a vote may be in the best interests of investors, or where it is otherwise regarded as the appropriate action to take.

In practice, significant holdings in local markets are likely to receive more attention, largely due to portfolio materiality prioritisation.

Types of voting exception scenarios are explained below:

Term	Definition
Share blocking markets	There are some markets that place regulatory barriers to voting, usually in the form of limitations on trading shares if a vote is enacted. Although Mercer NZ will seek to vote in these markets, we accept voting may be limited or not possible.
Pooled vehicles, including related parties	Mercer NZ may have investments in pooled vehicles (including managed investment schemes and exchange traded funds) where we cannot direct or control our exposure to individual securities within the pooled investment and the investment manager, rather than Mercer NZ, has the shareholder voting rights. While we may not be able to report on the voting activity of pooled vehicles, we still expect the investment managers of these vehicles to exercise their voting powers.
Power of Attorney (PoA) markets	There are some international markets where voting can only be carried out by an individual actually attending the meeting. This usually needs to be carried out on Mercer NZ's behalf by the custodian. The rules on PoAs vary by market, apply for different periods of time, and have various cost implications. Mercer NZ will typically put in place PoAs for larger markets (such as Argentina, Brazil, Poland and Sweden) but will undertake a cost/benefit analysis on smaller markets which employ this structure. As a consequence, there may be some smaller markets where Mercer NZ will decide that it is not in investor interests to vote shares.

Escalation

Where Mercer NZ considers that an engagement with an Investment Manager or a portfolio company has not yielded the desired outcomes against targeted objectives and timeframes, we have established various escalation strategies that may be employed to increase the likelihood of outcomes being met and reduce the likelihood of identified risks persisting. The specific timeframes may change based on the nature of the escalation. Internal guidelines have been established for such escalation considerations and the approach to escalation will vary for Investment Managers compared to portfolio companies.

Options for escalation with companies could include increased frequency of engagement, collaborating with other investors to address the company's lack of response, utilising our proxy voting rights, putting forward a shareholder resolution, and ultimately considering divesting from the company or excluding it from investment portfolios, where we believe these actions to be aligned with investors' best interests.

Disclosure

Mercer NZ typically aims to report to our investors on our stewardship activities on an annual basis in our Sustainable Investment Report⁴. Individual client reporting can provide further, more specific examples on engagement statistics and activities, as well as case study examples by topic or with particular companies.

In the interests of transparency, Mercer NZ discloses proxy voting results on our website [here](#)⁵ (to the extent that these are available e.g. for Directed Investments). Proxy voting results are updated on a six-monthly basis, within three calendar months of the end of the reporting period and show the prior twelve months.



⁴ Annual Sustainable Investment Report available on <https://www.multimanager.mercer.co.nz/funds/environmental-social-governance-policies.html> and <https://www.mercerfinancialservices.co.nz/sustainable-investment.html>.

⁵ <https://viewpoint.glasslewis.com/WD?siteId=Mercer>

Exclusions

Exclusions involve seeking to avoid investing in, or removing exposure as much as practicable to, certain companies with involvement in defined products or business activities.

Exclusions can be used to respond to evolving societal norms and expectations, including New Zealand Government policy positions, especially where Integration and Stewardship are considered to be insufficient or not applicable. Exclusions are typically implemented as rules-based, pre-defined criteria such as the Exclusions Criteria set out below.

Our application of exclusions is generally determined by the asset class and nature of the holdings, and are subject to the operational limitations and exceptions detailed below.

Exclusions only apply to Directed Investments

If a Directed Investment meets an Exclusions Criteria, our Investment Managers will generally be expected to divest the Directed Investment in a reasonable period of time, typically within 10 business days, and as market conditions allow. We may rely on specialist third party ESG providers and their methodologies for implementation, including determining which securities are required to be excluded based on the relevant Fund's Exclusions Criteria (see below).

Exclusions Criteria

As at the date of this Policy, Investment Managers are required to apply the following exclusions to the Directed Investments of the Funds (Exclusions Criteria), unless an operational limitation or exception as noted below, or other factors beyond our reasonable control, mean it is not reasonably feasible or it would be impracticable to apply the exclusions.

Exclusion	Exclusions Criteria
Controversial weapons	Companies that manufacture whole weapons systems, or delivery platforms, or key components that were developed or are significantly modified for use in cluster munitions, anti-personnel landmines, biological or chemical weapons or nuclear weapons. Companies with involvement* in the production or retailing of automatic or semi-automatic civilian firearms or ammunition.
Tobacco	Companies with involvement* in the production of tobacco, manufacture of nicotine alternatives or tobacco-based products (regardless of revenue), including subsidiaries and joint ventures. Nicotine alternatives and tobacco-based products include, for example, nicotine vaping products such as 'vaping' devices and e-cigarettes. Any other company that derives greater than 50% of revenue^ from tobacco-related distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.
Russian assets#	Defined as: - Sanctioned Russian entities and related entities of sanctioned entities; - Share – issues of publicly held companies with Russia as the country of incorporation or where the security has a primary listing in Russia (including ADRs/GDRs), including their subsidiaries; - Fixed income – issuers captured in equity screening (as above) by country of incorporation, plus - Russian sovereign bonds and bonds issued by Russian government-related entities (Rouble or foreign currency denominated); - Cash holdings in Russian currency; - Russian FX exposure; - Private markets assets domiciled in Russia; - All secondary issues of excluded securities; and - Derivatives having a Russian asset as primary exposure.

* Involvement is determined by a third party ESG research provider, currently ISS ESG, typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure.

^ Revenue is gross revenue in the last full financial year or, where not available, net revenue based on available company filings.

Mercer NZ has instructed its Investment Managers to divest any existing exposure to Russian securities as market conditions allow and to prohibit any new investments in Russian securities. This may mean that some Funds still retain exposures to Directed Investments in Russian securities, as Mercer NZ seeks to divest in a manner that promotes the best interests of investors.

Additional Exclusions Criteria

The Additional Exclusions Criteria section only applies to the Funds labelled as Responsible or Sustainable. These Funds are listed in Appendix A.

Further to the exclusions listed in the Exclusions Criteria section above, additional exclusions also apply for the Responsible and Sustainable Funds (listed in Appendix A).

Applying Additional Exclusions Criteria may affect investment risks and returns where, for example, there are exclusions to investments in companies that are not typically excluded in other funds. If those excluded companies perform well or poorly in certain time periods, there may be differences in return outcomes compared to a benchmark or comparable fund where those exclusions are not applied.

The Additional Exclusions listed below apply to the Directed Investments of some asset classes – equities, global bonds and global credit – for the Responsible and Sustainable Funds, as applicable (Additional Exclusions) within certain revenue thresholds, unless exceptions (as noted below) or other factors beyond Mercer NZ's control mean they are not possible to apply. Other Fixed Income, Overseas Sovereign Bonds and New Zealand Sovereign Bonds asset classes do not have the below Additional Exclusions.

The Responsible Additional Exclusions for Responsible labelled Equities and Global Bonds are defined as:

Responsible Additional Exclusions	Additional Exclusions Criteria for Responsible labelled Equities and Global Bonds
Coal, oil or gas	Companies with involvement* in the following as defined by Global Industry Classification Standard (GICS) sub-industry: • Oil & gas drilling • Oil & gas equipment & services • Integrated oil & gas • Oil & gas exploration & production • Thermal coal & consumable fuels. Companies that own proved or probable reserves in coal, oil, or gas; and derive in excess of 15% of their revenue* from exploration and extraction of thermal coal, oil or gas. Where referred to above, 'coal, oil or gas' includes these fuels where derived from conventional and unconventional sources such as tar sands or shale.
Adult entertainment	Companies with greater than 10% of revenue^ from adult entertainment-related business activity (adult entertainment-related activities mean production, distribution and not accessible to minors as defined by third-party data provider).
Alcohol	Companies with greater than 10% of revenue^ from alcohol-related business activities (alcohol-related activities mean production, distribution and services to the production of alcoholic beverages alcohol as defined by third-party data provider).
Gambling	Companies with greater than 10% of revenue^ from gambling-related business activities (gambling-related activities mean production, services and distribution of gambling products as defined by third-party data provider).
Depleted uranium	Companies with involvement* in the development or production of depleted uranium ammunition/armour.

*Involvement is determined by a third party ESG research provider, currently ISS ESG, typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure.

^Revenue is gross revenue in the last full financial year or, where not available, net revenues based on available company filings.

The following Sustainable Additional Exclusions apply to Sustainable Global Credit⁶ and are defined as:

Sustainable Additional Exclusions	Sustainable Additional Exclusions Criteria for Sustainable Global Credit
Nuclear weapons	Companies with involvement* in the development or production of nuclear weapons.
Depleted uranium	Companies with involvement* in the development or production of depleted uranium ammunition/armour.
Tobacco	Companies that derive greater than 10% of revenue [^] from tobacco-related distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.
Cannabis	Companies that derive greater than 10% of revenue [^] from cannabis (medicinal or recreational) production, distribution or services.
Saudi Arabia	Saudi Arabian securities, defined by country of incorporation or where the security has a primary listing in Saudi Arabia, including subsidiaries.
Adult entertainment Alcohol Gambling	Companies with a material exposure to adult entertainment, alcohol or gambling, where materiality is defined as greater than 10% of revenue [^] from production and/or distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.
Live animal exports	Companies that derive greater than 10% of revenue [^] from live animal export for the purpose of selling live animals for slaughter, husbandry and breeding subjects, including specialised transportation services specifically designed to facilitate live exports.
Animal fur production	Companies that derive greater than 5% of revenue [^] from fur production.
Thermal coal mining	Companies that derive greater than 5% of revenue [^] from thermal coal mining.
Oil sands production	Companies that derive greater than 5% of revenue [^] from oil sands production.
Fossil fuels	Companies that own proved or probable reserves in coal, oil or gas and derive greater than 15% of revenue* from exploration and/or extraction of coal, oil, or gas; or companies with a primary business activity in any of the excluded sub-sectors below: • Oil & gas drilling • Oil & gas equipment & services • Integrated oil & gas • Oil & gas exploration & production • Thermal coal & consumable fossil fuels. Where referred to above, 'coal, oil or gas' includes fuels derived from conventional and unconventional sources such as tar sands or shale.

* Involvement is determined by a third party ESG research provider, currently ISS ESG, typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure.

[^] Revenue is gross revenue in the last full financial year or, where not available, net revenues based on available company filings.

The Exclusions Criteria and Additional Exclusions Criteria listed above are current as at the date of this Policy and changes may occur from time to time. The latest Exclusions Criteria and Additional Exclusions Criteria (if any) can be found [here](#) for the MITNZ, MWF and MIF and [here](#) for Mercer KiwiSaver scheme, Mercer FlexiSaver and Mercer Super Trust and in the Statement of Investment Policy and Objectives of each relevant Fund.

We reserve the right to implement other exclusions at our discretion having regard to investor best interests. Any material changes will be communicated to investors.

⁶ Applies to the Mercer Sustainable Global Credit portfolio in the MITNZ as well as those underlying funds which invest into this portfolio being the Mercer Responsible diversified portfolios in the MITNZ (Conservative, Moderate, Balanced, Growth and High Growth) and the Mercer KiwiSaver scheme diversified funds (Conservative, Moderate, Balanced, Growth and High Growth).

Determining whether companies or securities meet an Exclusions Criteria

For Directed Investments:

- we currently engage ISS ESG⁷, a third party ESG research provider to create lists of excluded securities (Exclusion Lists) based on our Exclusions Criteria and Additional Exclusions Criteria. The research provider has defined evaluation rules and methodology frameworks underpinning its assessment of which companies or securities to include on the Exclusion Lists.
- the Exclusion Lists are typically updated on a quarterly basis and made available to the Investment Managers of Directed Investments.
- where a security is identified that is on an Exclusion List, the Investment Manager is instructed to not make any additional purchases of such security or securities and shall divest such security or securities within 10 business days after quarter end, unless agreed otherwise with Mercer NZ.
- our custodian and the Related Parties pooled vehicles' custodian monitors compliance of Directed Investments against the Exclusion Lists, and would report any discrepancies with Mercer NZ and the Related Parties.

Although we are unable to implement exclusions for investments in pooled vehicles (including managed investment schemes and exchange traded funds) and some derivatives, we typically provide the Exclusions Criteria to these Investment Managers and request they seek to align with the Exclusions Criteria, where possible.

For pooled funds such as the Mercer All Country Global Shares Index Fund, and the Mercer Australian Property Index fund in the MIF, we do not have influence over the way underlying assets are managed, and the above-mentioned exclusions may not apply to these funds.

Operational limitations or exceptions for exclusions

As noted above, we are generally able to apply exclusions to Directed Investments only. This may mean that a Fund has exposure to securities meeting the Exclusions Criteria via investments in pooled vehicles (including managed investment schemes and exchange traded funds) and/or derivatives.

For our investment holdings in any Fund the following operational limitations or exceptions may impact our ability to apply our Exclusions Criteria:

- **Transitional implementation for the Funds** – From time to time, Directed Investments may be transitioned into the Funds. In these instances, the Investment Managers of any transitioned Directed Investments will be instructed to implement the Exclusions Criteria as market conditions allow and in the best interest of investors. The Investment Managers will require a transition timeframe to align with the Exclusions Criteria. This means that the Funds may contain exposures to securities that would otherwise meet the Exclusions Criteria for a period of time following the transition of Directed Investments into the Funds.
- **Discretion** – In limited circumstances, we may allow the Investment Managers to continue to hold or acquire Directed Investments that meet the Exclusions Criteria. This includes where a movement above an exclusion threshold may be temporary due to market movements or data lags (for example, the availability of company data used to determine company revenue) or where the Directed Investments are material to achieving the Fund's objectives. In such circumstances, we will continue to monitor the exposure to the Directed Investments and instruct Investment Managers to divest where appropriate.
- **Other factors beyond our control** – There remain some factors beyond our control which means a Fund may have exposure to a company or security that meets an Exclusions Criteria. These factors may include, for example, market conditions and liquidity, operational or structural constraints, different definitions and methodologies of research providers, or where there is a change of a company's revenue mix over a reporting period, data or calculation methodologies.
- **Limited reporting** – The third party ESG researchers we engage do not report on all organisations. Their reports cover a subset of the companies available for investment. If Investment Managers invest in assets that fall outside the parameters of research available to us, it is possible that investments may be made in entities that would otherwise be excluded based on our Exclusions Criteria.

⁷ Mercer may change the third party ESG research provider and/or change the scope of its role from time to time.

Investment in Themes

The fourth implementation technique, investment in themes, includes investing in solutions to long-term systemic issues that may provide additional opportunities to improve risk-adjusted returns. **This is only applicable to the Sustainable Global Credit Portfolio** in the MITNZ.

Market inefficiencies in pricing transition risks, combined with the development of new technology and sustainable solutions across developed and emerging markets, may

create opportunities for investors to capitalise on the transition to a net-zero carbon, nature-positive, and more equitable world.

Examples of these sustainability-themed investment opportunities may include natural resources, renewable energy and climate change, community and economic development.



Appendix A – Responsible and Sustainable Funds

In 2024, the Responsible Investment Association Australasia (RIAA) launched classifications to be used alongside its certification program. Drawing on both the RIAA guidance and feedback from the Australian and European markets, Mercer NZ engaged in a review of its labelling methodology.

The current fund and portfolio names are set out below and are labelled in accordance with the Mercer labelling methodology.

At the date of this SI Policy, the Mercer KiwiSaver scheme funds and MIF funds have been certified by RIAA according to the operational and disclosure practices required under the Responsible Investment Certification Program.

See www.responsiblereturns.com.au for details.⁷ The MITNZ portfolios have not been certified by RIAA.

	RIAA Certification	Applicable Exclusions Criteria	Applicable Additional Exclusions Criteria - Responsible	Applicable Additional Exclusions Criteria - Sustainable
Mercer KiwiSaver scheme				
Responsible Conservative	✓	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Responsible Moderate	✓	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Responsible Balanced	✓	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Responsible Growth	✓	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Responsible High Growth	✓	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Responsible Shares	✓	✓	Equities	
Mercer Investment Funds (MIF)				
Mercer Responsible Balanced Fund	✓	✓	Listed Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Trans-Tasman Shares Fund	✓	✓	Equities	
Mercer Responsible Global Shares Fund	✓	✓	Equities	
Mercer Responsible Hedged Global Fixed Interest Index Fund	✓	✓	Global Fixed Income	

⁷ The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

	RIAA Certification	Applicable Exclusions Criteria	Applicable Additional Exclusions Criteria - Responsible	Applicable Additional Exclusions Criteria - Sustainable
Mercer Investment Trusts New Zealand (MITNZ)				
Mercer Responsible Conservative		✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Moderate		✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Balanced		✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Growth		✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible High Growth		✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Overseas Shares		✓	Equities	
Mercer Responsible Trans-Tasman Shares		✓	Equities	
Mercer Responsible Overseas Shares Index (Hedged and Unhedged)		✓	Equities	
Mercer Responsible Global Aggregate Index		✓	Global Fixed Income	
Mercer Sustainable Global Credit		✓		Global Credit

Appendix B – Scope of Excluded Funds and Asset Class

Name or description of Fund

Private equity (asset class)

Private Debt (asset class)

Cash (asset class)

Bespoke client arrangements
(such as when a client requests that we implement their own sustainable investment preferences)



Appendix C – Climate Change

Climate targets

Mercer NZ's Net Zero Target recognises the policy environment we are operating within, takes a strategic approach to potential transition risk, and acknowledges a lower warming scenario is more likely to be in the best financial interests of long-term investors.

In 2021, Mercer NZ established a target to achieve net-zero absolute portfolio carbon emissions by 2050 for all assets under management in New Zealand (Net Zero Target). In 2025, as part of a planned review and climate data improvements, the target terminology has been updated to be more specific, as noted below.

Mercer NZ seeks to reduce the aggregate Scopes 1&2 portfolio Carbon Footprint⁸ to net zero by 2050, with an interim milestone of 45% by 2030 vs a 30 June 2020 baseline (the Mercer NZ Net Zero Target⁹). This target is consistent with the IPCC 1.5°C pathway with no or limited overshoot (scenario C1), noting some key assumptions that follow and that other emissions metrics are also monitored¹⁰.

Mercer NZ's climate-related investment principles, policy, target, and plan are informed by a range of research and analysis:

- Ortec Finance ClimateMAPS research and scenario analysis
- Mercer's climate transition framework and Analytics for Climate Transition (ACT) tool
- Mercer's 2015 and 2019 Investing in a Time of Climate Change reports
- Mercer's 2011 research on climate change and its implications for strategic asset allocation¹¹

Key assumptions

The Mercer NZ Net Zero Target has been set up with consideration for several key assumptions:

- Investment objective considerations remain paramount, and we are committed to these for each Mercer fund, consistent with the offer documentation. Integrating analytics on climate-related financial impacts is seen as additive to many investment management decisions that aim to increase the likelihood that funds meet their stated objectives (risk return, tracking error). We also recognize that over shorter time horizons, if there is a potentially material conflict between both objectives, decisions consistent with investment objectives take precedence. Where adopting a more favourable climate transition approach—based on indicators such as lower carbon intensity or greater transition alignment—is deemed feasible by the investment management team and relevant Investment Managers to remain consistent with investment objectives and benchmark relative expectations, this is the preference.
- The relatively small portfolio weights in diversified portfolios driving a meaningful percentage of emissions intensity and the majority of portfolios indicating a capacity to transition.

⁸ Carbon Footprint (Absolute Emissions / \$M invested), noting carbon dioxide equivalent emissions covers all greenhouse gases responsible for climate change, which are largely carbon dioxide, followed by methane, plus others in smaller percentages.

⁹ The Mercer NZ Net Zero Target covers the aggregate funds under management of the Mercer NZ portfolio where Mercer NZ has discretion and where asset classes can be carbon footprinted (e.g. excludes some cash and derivatives). The Mercer NZ portfolio now includes the funds previously managed by Macquarie Asset Management (Mercer Investment Funds and Mercer Wholesale Funds) as well as the MITNZ. The Mercer KiwiSaver scheme, Mercer FlexiSaver, Mercer Super Trust, New Zealand Defence Force KiwiSaver Scheme, Defence Force Superannuation Scheme and some of the funds in the Mercer Investment Funds invest via the underlying MITNZ.

¹⁰ See the assumptions listed above and note that monitoring is also completed on the following emissions metrics to assist in decision making and prioritising a range of actions:

1. Weighted Average Carbon Intensity (WACI) – which helps compare portfolio strategies for carbon-related efficiency but is less directly connected to absolute emissions and the Mercer NZ Net Zero Target.
2. Carbon Footprint calculations adjusted for changes in the Enterprise Value Including Cash (EVIC) for the underlying listed portfolio holdings. Changes in the EVIC can mask the actual changes in emissions e.g. inflated enterprise values can make emissions look to have decreased and in reverse, falling valuations can make emissions look like they have increased. These additional attribution insights help increase our understanding for how the real world emissions reductions have contributed to the portfolio CF figures.
3. Scope 3 emissions, upstream and downstream, which helps provide a more holistic picture of emissions drivers throughout supply chains across industry sectors.

¹¹ www.mercer.com/our-thinking/wealth/sustainable-investment.html

- The climate science at the time the target was set in 2020/2021 recommended that net zero emissions by 2050 was required to stabilize the climate at the realistically best case of a 1.5°C global average increase above pre-industrial levels. The 2023 IPCC report recognized the challenge in still achieving 1.5°C, which was reinforced by Ortec, our climate scenarios partner, in their Q2 2025 update; hence, we have maintained the original target rather than making that more ambitious.
- Mercer's climate scenario analysis, undertaken three times on Mercer NZ portfolios since 2015, translates the scenarios in the IPCC report into pathways relevant for investors, including potential return impacts and market pricing shocks. This analysis indicates that a lower rather than higher warming scenario, e.g., 2°C or below, is in investors' best interests as climate-related impacts are expected to detract from returns to varying degrees under the majority of scenarios for a range of diversified portfolios, with the higher warming scenario results having greater negative impacts.
- An expectation that public and private sector actors will follow through on commitments to the Paris Agreement's objectives, including governments increasing the ambition for Nationally Determined Contributions. As at 2025, following the 2023 New Zealand election and recent Australian election, there is greater policy certainty in the Pacific, but there is now increased global policy divergence. The New Zealand approach is particularly important for the New Zealand portfolio exposure, given the sovereign bond exposure.

Investors will be able to track the progress against the targets stated above through periodic Sustainable Investment Reports¹² or client specific reporting. Mercer NZ believes that the strategies it has adopted mean that achieving these targets is realistic. If Mercer NZ identifies that the Funds are not on track to meet these targets in a material way, then Mercer NZ will inform investors and communicate any consequences or changes in strategy (which may include revising the climate change targets).

Progress towards achieving the stated target will be monitored on a regular basis, typically annually, considering absolute emissions and carbon intensity reductions, together with transition capacity using Mercer's proprietary ACT tool. The ACT tool assesses portfolios for climate transition risk across a spectrum, with the companies within portfolios categorised as those that have high emissions and limited capacity to transition ('grey' category) to investments that have low emissions and high capacity to transition ('green' category) and the range between the two ('in-between' categories).



¹² Sustainable Investment Report available on <https://www.multimanager.mercer.co.nz/funds/environmental-social-governance-policies.html> and <https://www.mercerfinancialservices.co.nz/sustainable-investment.html>.

Appendix D – Policy Governance

Key responsibilities for the maintenance and implementation of this Policy are in the table below.

Name of owner	Area of responsibility
Mercer NZ Board	Owns and approves Policy.
Mercer NZ Risk, Audit & Due Diligence Committee	Oversee monitoring against Policy.
Mercer NZ Chief Investment Officer (CIO)	Accountable for adherence to this Policy and oversight of the Investment Management Team.
Mercer Sustainable Investment, Investment Management Team	Responsible for maintaining this Policy and working with the wider Investment Management Team on implementation and monitoring alignment with this Policy.
Mercer Sustainable Investment, Consulting Team	Provide annual review of effective implementation of this Policy and input to any Policy updates.
Mercer Risk and Compliance Team	Oversight of Policy governance.

This Policy will aim to be reviewed at least annually (or more frequently if required) to reflect any meaningful change to Mercer NZ's investment approaches or where required by relevant law or regulation.

Despite any provision to the contrary, this Policy may be amended to:

- correct any grammatical, typographical or cross-referencing errors
- reflect non-material changes to operational procedures
- reflect any non-material changes required by law, a regulator or internal/external auditors, or
- implement any required changes flowing from a board resolution, provided the amendment is approved under the Mercer NZ Board's Central Policy of Delegation.



Appendix E – Revision History

Version	Reason for amendment	Date approved
1.	The creation of the Sustainable Investment Policy and the Corporate Governance Policy.	December 2015
2.	Creation of the Ethical Exclusions Policy which excludes companies manufacturing cluster munitions, landmines, chemical or biological weapons, or nuclear weapons. The amalgamation of the Sustainable Investment Policy, the Corporate Governance Policy and the Ethical Exclusions Policy into the Responsible Investment Policy and the addition of a tobacco exclusions.	April 2017
3.	Additional firearms exclusions were added to the Responsible Investment Policy.	May 2019
4.	Additional tobacco and nuclear weapons exclusions were added. Sustainable Investment section divided into the ESG Integration and Sustainability Themes sections. The addition of a section on Climate Change and an update to the Active Ownership section. Update to the exclusion criteria framework. The segregation of and update to the Policy Implementation section, and the addition of the Appendix to include details of Mercer's ESG framework. The addition of a revision history chart.	November 2019
5.	Review to make the Policy more concise and principles based & align policy wording to key implementation developments during the year notably in the areas of Active ownership, Net Zero, and UN Global Compact. Update name from Responsible Investment Policy to Sustainable Investment Policy, in-line with Mercer Global and Industry language.	February 2022
6.	Annual policy review and update to align with regulatory guidance. Updated to add details of exclusions.	September 2023
7.	Updated with Mercer latest Global Philosophy and Principles. Phasing-out of the global ESG Ratings. Moved climate change section to Appendix and referenced our Climate Statement. Updates on stewardship, additional exclusions and thematic investments only applying to Sustainable Funds.	February 2025
8.	Updated to reflect the relabelling of funds and updated Net Zero Target language. Minor language changes to align with recent updates.	December 2025

Important notices

Mercer is a registered trademark of Mercer (N.Z.) Limited NZBN 9429040873121.

References to Mercer shall be construed to include Mercer LLC and/or its associated companies including Mercer (N.Z.) Limited.

This document contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results.

Information contained herein has been obtained from a range of third-party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third-party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

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 Retail Customers

Investors should be aware that the value of an investment in any of the Mercer NZ investment options may rise and fall from time to time and that neither Mercer NZ nor its related entities guarantees or accepts any 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.

Disclaimer for Wholesale Investors

Mercer NZ is the manager of the Mercer Investment Trusts New Zealand (MITNZ) and the Mercer Wholesale Funds (MWF).

The MITNZ and MWF are a range of unregistered wholesale investment trusts. Investors should be aware that the value of an investment in any of the MITNZ or MWF investment options may rise and fall from time to time and that neither Mercer NZ 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 MITNZ or MWF investment options. To invest in the MITNZ or MWF, you will need to complete an application form included in, or accompanying, a current MITNZ or MWF Information Memorandum which is issued by, and available from Mercer NZ. The MITNZ and MWF 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 MITNZ or MWF Information Memorandum and obtain advice from an appropriately qualified financial adviser before making any investment decision. The investment returns shown for the MITNZ or MWF 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.

This document has been prepared by Mercer (N.Z.) Limited NZBN 9429040873121, New Zealand Financial Services Licence #FSP42742.

Mercer (N.Z.) Limited
Level 11, PWC Tower,
15 Customs Street West,
Auckland 1010

PO Box 105591
Auckland City 1143
Auckland
New Zealand

+64 9 928 3200

www.mercer.co.nz