

ETHICAL INVESTING – ANSWERING YOUR QUESTIONS

Following the recent media coverage on KiwiSaver managers' holdings in controversial weapons and other sectors, Mercer would like to answer some of the most frequent questions asked by our customers. We would also hope this helps clarify our current position.

1. How does Mercer make its investments?

Mercer is a manager-of-managers which means we select specialist investment managers who then make decisions about where to invest the money. Investments include shares, bonds and other assets.

There are two ways in which Mercer allocates your money to the specialist investment managers:

- a. Directly – where the shares or bonds of a company are directly bought by the managers we appoint in certain sectors. These managers must operate within the investment guidelines and restrictions Mercer sets for them.
- b. Indirectly – where we invest in another fund which is managed by a specialist investment manager. In this case we are not able to set the investment guidelines because there may be other investors in the fund. These funds include “Exchange Traded Funds” which adopt what's known as a “Passive” approach. This is when money is invested in a portfolio of shares (index), often many hundreds, which is designed to replicate “the market” as a whole. It allows us to gain liquid, diversified and low-cost market exposure.

2. Does Mercer invest in cluster munitions or landmines?

Not intentionally or directly and we don't support the concept of cluster bombs or land mines.

We require the managers which invest directly to operate within our guidelines, which exclude cluster munitions and land mines.

To address the potential for unintended, indirect exposures to companies where we invest in external funds, we have initiated a review of our current approach. This review will strengthen our ability to control the exposure to specific sectors and companies and may result in Mercer considering whether to exclude any sectors additional to the controversial weapons referred to above.

In addition we have a [Sustainable Investment Policy](#) which you can view on our website.

3. Does Mercer invest in tobacco?

Yes, tobacco manufacturers are not specifically excluded from our investment. However, we are reviewing this sector.

4. Are other default funds more socially responsible than you?

Our Investment Policy takes account of ethical considerations. We can't comment on other schemes but you can look at all schemes' investments on the public register: Disclose at www.business.govt.nz/disclose. You can also find our Investment Policy on our website or download it here - [Sustainable Investment Policy](#).