

8 May 2020

Mr Will van de Pol
Coordinator, UniSuper Divest | Asset Management Campaigner
Market Forces

BY EMAIL will@marketforces.org.au; contact@unisuperdivest.org

Dear Mr van de Pol,

I refer to your letter dated 8 April calling for UniSuper to immediately divest from companies that are actively undermining climate action, and acknowledge the concern raised by the signatories to the open letter.

On behalf of the UniSuper Board and Management I want to stress that, notwithstanding our differences, we are absolutely committed to doing what we can to ensure that Corporate Australia plays its part in meeting the goals of the Paris Agreement.

Attached are two important UniSuper documents (i) Climate risk and our investments and (ii) Climate Change Position Statement - Investments. Both documents are available to our circa 450,000 members and interested parties.

The documents outline the importance the Board and Management of UniSuper places on the issue of climate change. In collaboration with other major funds and climate-focussed action groups we are proud to be at the forefront of engagement with the boards and management of the companies in which we invest. While we will continue to evolve our approach, we acknowledge that progress is not always happening as fast as your organisation would like. However, we are finding that Corporate Australia is by and large responding to the risks, challenges, and opportunities posed by climate change and certainly we will continue to pressure them to do so.

The attached documents explain that UniSuper does not apply a general fossil-fuel exclusion policy across the Fund. We do, however, thoroughly consider climate change risks in all our investment activities. We also offer seven investment options that do not hold companies directly involved with fossil fuel exploration or production. UniSuper manages more funds in “ESG” themed strategies than any other fund in Australia, with top ranking performance delivered at low fees.

With respect to the 22 companies listed in your report as “out of line, out of time”, we wish to make the following points:

- In the context of a circa \$80 billion fund, UniSuper’s exposure to fossil fuel extraction and production is relatively low, and our exposure to thermal coal is negligible. We concur that the outlook for thermal coal in a de-carbonising world is dismal, and our investment profile reflects that view.

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- With a couple of exceptions, UniSuper has minimal exposure to the vast majority of the 22 companies listed. Most of the holdings are held passively (via index strategies).
- The major exception to the above is our investment in APA which owns and operates gas pipelines. Our base case is that gas will be an important transition fuel to a low carbon world. Specific reference is being made to APA as it provides a clear insight into our role in delivering optimal financial outcomes to our members. The bulk of our APA investment is held by UniSuper's Defined Benefit Division (DBD). As you are probably aware, defined benefit funds are so-called because the final payout to members is defined by a formula that is linked to salaries. This poses an investment challenge to find assets that can maximise the probability of meeting such commitments, with the lowest possible risk. The size, liquidity, and return characteristics of APA are such that it is an excellent match for the DBD liabilities. Indeed, the performance of APA is one of the reasons that UniSuper is proud to be in the minority of defined benefit funds in the world that is running at a surplus. Some of the signatories of your letter may be unaware of this fact and may not fully understand our position. We have a financial obligation to our members, and we must manage our investments in a way that supports our ability to meet this obligation.

On a closing note I would like to reassure you that we are certainly aligned in wanting the same outcome, although we sometimes have different views as to how we get there. At all times, however, we cannot veer from our obligations to operate in our members' collective best interests.

Yours sincerely,



Ian Martin AM
Chairman

Attachments: Climate risk and our investments
UniSuper Climate Change Position Statement – Investments