

UN PRI Progress Report

Results for the period ended 31 December 2007

UniSuper manage more than \$24 billion of your retirement savings, so we recognise the importance of making responsible investment decisions.

Increasingly, this involves looking beyond the financial performance of a company to ensure that extra-financial issues, such as environmental, social and governance (ESG) factors, are considered when making investment decisions.

We believe that ESG factors can ultimately have financial implications. So, in an attempt to better manage these considerations and encourage our investment managers to do the same, UniSuper became a signatory to the United Nations Principles for Responsible Investment (UN PRI) in May 2007.

This report looks at the progress UniSuper has made in implementing the UN PRI and how this compares to our peers in the Asia-Pacific.

What are the UN PRI?

The UN PRI provides a framework to assist investors consider ESG matters within mainstream investment decision making and management processes.

UniSuper was one of Australia's earliest signatories to the UN PRI, and there are now 375 signatories worldwide representing over US\$14 trillion assets under management.

What is the UN PRI Progress Report?

The UN PRI Secretariat produces an annual 'PRI Report on Progress' that assesses overall and individual signatory progress in implementing the UN PRI.

The 'PRI Report on Progress' is based on information provided by individual signatories via the Reporting and Assessment Tool – a survey designed to capture information on an organisation's responsible investment activities.

While the survey attempts to ensure some accountability from signatories, its primary function, according to the UN PRI, is "to provide a framework for signatories themselves to monitor their own progress".

UniSuper completed its first Reporting and Assessment Tool in 2008.

UniSuper's performance

Based on the 2008 UN PRI Reporting and Assessment Tool results, UniSuper has demonstrated solid performance in implementing the UN PRI.

The UN PRI Secretariat benchmarked our performance against three standards:

- performance for each principle versus all signatories
- performance for each principle versus our peers (Asset Owners), and
- performance for each principle versus our peers (Asset Owners) in the Asia-Pacific.

The results below outline UniSuper's performance for each principle against our peers in the Asia-Pacific.

Principle 1 We will incorporate ESG issues into investment analysis and decision making processes

UniSuper placed in the top quartile for Principle 1, indicating that UniSuper has made good progress incorporating ESG issues into our investment practices. This in part can be attributed to UniSuper:

- including ESG performance as part of our annual public markets manager review process
- writing to our fund managers asking them to:
 - familiarise themselves with UniSuper's Investment Governance and Sustainable Investment policies, and
 - provide information regarding how they integrate ESG into their investment analysis and decision making process.

Principle 2 We will be active owners and incorporate ESG issues into our ownership policies and practices

UniSuper placed in the second quartile for Principle 2, exceeding the average signatory.

Principle 2 encourages signatories to be active share owners, which includes exercising proxy votes and engaging with investee companies. UniSuper's performance here reflects our pro-active proxy voting and reporting practises.

UniSuper is currently in the process of assessing the merits of developing an external ESG engagement strategy regarding the companies in which it invests.

Principle 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest

UniSuper performed in line with the average signatory for Principle 3.

Whilst UniSuper recognise the need to encourage investee companies to disclose better quality ESG information, we had not taken direct action in this area at the time of this survey.

Since that time, the Australian Council of Superannuation Investors, of which UniSuper is a founding member, has conducted a study into corporate ESG disclosure and has written to all ASX 100 companies to:

- provide a summary of the findings from its study, and
- reiterate the importance of corporate ESG disclosure to institutional investors.

Principle 4 We will promote acceptance and implementation of the Principles within the investment industry

UniSuper again scored above average results in relation to Principle 4.

UniSuper has taken a number of steps to promote the UN PRI within the investment industry. In particular, UniSuper was one of the first Australian funds to write to its fund managers requesting information on their ESG practices and requesting that they consider the UN PRI.

In the year that followed, two of UniSuper's external investment managers became signatories to the UN PRI as a result of client demand.

Principle 5 We will work together to enhance our effectiveness in implementing the Principles

UniSuper's performance was above the average signatory in relation to Principle 5, reflecting UniSuper's active membership of a range of collaborative initiatives. This includes the Australian Council of Super Investors, the Global Investment Governance Network and the International Corporate Governance Network.

Principle 6 We will each report on our activities and progress towards implementing the Principles

UniSuper placed in the top quartile for Principle 6. This ranking demonstrates UniSuper's ongoing commitment to educating our members and investment managers on ESG related matters, including the UN PRI.

UniSuper will continue to work toward providing greater information to stakeholders regarding our progress in implementing the UN PRI and our broader approach to ESG.

Key findings from signatories worldwide

The 2008 Reporting and Assessment Tool results were prepared on both a consolidated and an individual basis. Regarding the consolidated results, it was found that:

- 67% of signatories completed the survey
- 76% of signatories reported that they had engaged in dialogue with policy makers and industry regulators on ESG
- 70% of signatories asked listed companies to produce standardised reporting on their environmental, social and governance policies, and
- Signatories are becoming more collaborative. The number of asset owners involved in collaborative engagement rose from 38% to 47%, over the year.

What's next?

The UN PRI is a voluntary initiative and does not seek to be prescriptive. As such, whilst a signatory commits to all six principles, they will prioritise their activity to those principles they consider most important to their organisation. This means that a signatory is unlikely to achieve outstanding performance for all principles. Nonetheless, UniSuper is committed to improving our performance in all areas.

Whilst UniSuper performed strongly against its peers, we identified scope for the continued integration of ESG across all asset classes, as well as focusing on specific activities.

UniSuper will complete the next Reporting and Assessment Tool in mid-2009 with results to be published later in the year.

Important information about the UN PRI progress report

In considering the UN PRI results, it is important to recognise that:

- Completion of the Reporting and Assessment Tool is not currently mandatory; however, it is understood that this is likely to change in the near future.
- The results are based on self-reporting, which is generally not audited by the UN PRI Secretariat.
- The Reporting and Assessment Tool results track relative performance. As such, a decline in performance from one year to another does not mean that no performance improvement has occurred. Rather, it could mean that the peer group had achieved greater improvement than the individual signatory.

Scores have been calculated based on signatories' self assessment and using the scoring methodology approved by the PRI Assessment Group. Not all responses have been independently verified by the PRI Secretariat, PRI Assessment Group, or any other third party. Individual results including comparisons to the overall results (quartiles) are indicative and do not imply an endorsement of signatory activity. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of information presented, and no responsibility or liability can be accepted for any error, omission or inaccuracy in this information.

Find out more www.unisuper.com.au enquiry@unisuper.com.au 1800 331 685

This information is general information only and is not intended to be advice. It has been prepared without taking account of your objectives, financial situation or needs. Before deciding to acquire or hold an interest in any UniSuper product, you should consider whether it is appropriate for you and consider the relevant product disclosure document, which is available from your employer or UniSuper.

Issued by: UniSuper Management Pty Ltd ABN 91 006 961 799, Australian Financial Services Licence No. 235907. Level 37, 385 Bourke Street, Melbourne VIC 3000. Phone 1800 331 685.

UniSuper: ABN 91 385 943 850

Trustee: UniSuper Limited, ABN 54 00 027 121

Date: January 2009