

Annual Members' Meeting 2021-22

WRITTEN RESPONSES TO QUESTIONS NOT ANSWERED DURING THE MEETING

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IMPORTANT INFORMATION

These questions and answers may include general financial advice which does not consider the personal objectives, situation or needs of any individual. Before deciding, please consider whether the information is right for you and read the Product Disclose Statement and Target Market Determination available on the UniSuper website at unisuper.com.au/pds.

Information provided primarily relates to the financial year ending 30 June 2022. Investment returns are not guaranteed, and past performance is not a reliable indicator of future returns. Comments on the companies we invest in are not intended as a recommendation of those companies for inclusion in personal portfolios. UniSuper's portfolios have been designed to suit UniSuper and may not be appropriate for others.

We note that these answers to questions raised at the meeting, but not answered at the meeting, form part of the meeting minutes. We cannot respond to questions that relate to an individual's personal circumstances or are unrelated to the Fund.

Information presented at the meeting and in these minutes is provided by UniSuper Management Pty Ltd (ABN 91 006 961 799) on behalf of UniSuper Limited (ABN 54 006 027 121, AFSL 492806), Trustee of the UniSuper Fund (ABN 91 385 943 850).

Investments

- **John Pearce conflated "crypto" and Bitcoin which is somewhat inaccurate and misleading. Younger generations of savers are disillusioned with traditional finance instruments, and would like some exposure to other, more equitable and modern asset classes.**

When will we be able to allocate a percentage of our UniSuper portfolio to Bitcoin, like some 401k funds already allow in the USA?

As our CIO, John Pearce noted at the Annual Members' Meeting, these investments don't form part of our investment universe.

- **Will the organisation consider Crypto or NFT as future investment?**

As our CIO, John Pearce noted at the Annual Members' Meeting, these investments don't form part of our investment universe.

- **Australians want to transition from fossil fuels and as John says, we don't want to have blackouts or lessen our standard of living, while allowing industries like BlueScope to continue and lessen our reliance on overseas industries. As a large financial institution, can UniSuper bring pressure to bear on Government to transition from fossil fuels to nuclear energy and thus invest our funds in nuclear reactors? We've been safely involved in nuclear science at ANSTO since 1987. Nuclear medicines are part and parcel of our daily lives. It's time to transition to a reliable, non-carbon system.**

Where we have opportunities to engage with Government on energy transition and policy settings that assist UniSuper to invest in the transition, we do. Recently we have engaged on topics like mandatory climate disclosure and the barriers and opportunities in energy transition in Australia.

- **Last year, Consultative Committee members voted on resolutions seeking to increase UniSuper's ambition for managing climate-related risks. Some of the recommendations put forward in these resolutions included: UniSuper's commitment to the Paris Agreement needs to be supported by clear policies and strategies, UniSuper's methodology for assessing companies' Paris alignment needs to be vastly improved and based on peer-reviewed methodologies, and that UniSuper's engagement strategies need significant improvement. Given how important these three resolutions are with respect to managing climate-related risks, why were these voted down by the board of UniSuper?**

These resolutions were voted on and not passed by the Consultative Committee. We have provided some further background below.

We have disclosed to members a net-zero emissions target at a whole-of-fund and portfolio level by 2050 and committed to contributing to a 45% reduction by 2030 in Australia's emissions. These targets have been determined drawing on guidance from the Intergovernmental Panel on Climate Change (IPCC) Special Report in 2018.

UniSuper believes that the totality of our actions and commitments are consistent with the goals of the Paris Agreement and that our reporting provides sufficient information for members to make a reasonably informed decision about their investment choices. We have detailed information that makes it clear what our policies and strategies are, and we report progress against our targets and the progress we have achieved through our engagement in our annual climate risk report – *Climate risk and our investments*.

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Our climate risk report includes a traffic light report, where we show the progress of our top 50 investments. This considers their progress against our expectations of climate risk management and includes (among other things) improvements during the course of our engagements with the company and their progress towards the Paris Agreement.

Targets were assessed in the context of analysts reviewing multiple science-based decarbonisation pathway methodologies, including [SBTi](#) sector specific pathways, Absolute Contraction Approach, Transition Pathway Initiative methodologies, Climate Works scenarios, and other industry specific pathways.

Some key challenges in this area includes there not being one universally accepted definition of Paris Alignment, not all companies can get their targets verified by SBTi (due to no methodologies available for many sectors) and there are hundreds of Paris-aligned scenarios – all with varying assumptions and outcomes – that exist.

Despite this, UniSuper has been at the forefront bridging the information gap, having contributed to research from Monash University's Climateworks Centre recent research with the Australian Council of Superannuation Investors (ACSI) on how ASX200 companies sit relative to an Australian 1.5-degree Celsius pathway ([Chasing 1.5°C: The ASX200 – on the right trajectory? | ACSI](#)) and we are continuing to explore how we can further this research and integrate it more explicitly into our assessments.

Lastly, the Consultative Committee remit is to make changes relating to the Trust Deed and not operational matters. Any resolutions put to the Consultative Committee outside of this remit are advisory only. Because we know climate change is of interest to many members, we allowed these resolutions to be raised. As noted above, the Consultative Committee members did not pass these resolutions.

- **Are UniSuper's sustainable funds affected by including investments which should be excluded? Another superannuation fund is being prosecuted for inappropriate investments in sustainable and ethical investment options.**

We offer our members three sustainable and environmental branded investment options. The investment guidelines for these options are published on our [website](#) and in the Product Disclosure Statement. The [Responsible Investment Association of Australia](#) (RIAA)*, a third-party organisation, has certified that the investment intentions and processes of these products are consistent with the Fund's responsible investment claims.

We understand that sustainability means different things to different people, so we encourage you to view our website for explanations of the types of screens we use in our sustainable and environmental branded investment options: [Our sustainable and environmental options | Responsible investing | UniSuper](#)

- **How has the disposal of fossil fuel shareholdings affected returns?**

Our exposure to fossil fuels at 30 June 2022 was 2.8% of our funds under management. This is in line with the position on climate change approved by our board in 2020 – *Our Sustainable Path to 2050*.

To maintain this low exposure, we are underweight the Energy sector (as many stocks in this sector have fossil fuel exposure). Energy was the strongest performing sector over the year returning 32.7%. Being underweight energy last year therefore meant that our return was lower than if we had a higher exposure.

However, we believe that these are the right settings for the long term.

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- **Can you please update us all on any significant counter trafficking measures we are reporting on in our UniSuper response to the Modern Slavery Act?**

Modern slavery is integrated into our investment assessments. Generally, our investments are mainly in developed countries, dominated by Australia, which makes our exposure to high-risk countries lower. We also consider our exposure to industries that are likely to have a higher risk to modern slavery. For these companies we regularly engage with them to understand how they are mitigating and managing risk, and where instances are found, how the company is resolving and remediating.

You can read about how we monitor and manage these risks in our Modern Slavery Statement available on our [website](#). We are currently on our 3rd edition of our Modern Slavery Statement.

- **Is GEO's performance in the current financial year consistent with action on climate change?**

The Global Environmental Opportunities (GEO) option invests in companies whose business activities seek to address current and emerging environmental issues and opportunities. This includes companies focused on alternative energy, energy efficiency, pollution prevention, clean water, sustainable agriculture, green building, and companies that provide infrastructure and materials that support decarbonisation. GEO has been certified by the [Responsible Investment Association of Australia](#) (RIAA), a third-party organisation.* The certification confirms that the investment intentions and processes of this product are consistent with UniSuper's responsible investment claims.

- **I'm sure that like me, many UniSuper members are concerned about the low provision of affordable social housing in Australia at present. I understand UniSuper has participated in a modest way in a social bond issue by the National Housing Finance and Investment Corporation, which helps fund affordable social housing initiatives. Does UniSuper have plans to do more in this area? I'm sure many UniSuper members would support such investments, even if their returns are fairly modest.**

UniSuper is a signatory to the Government's Affordable Housing Accord, announced in the October 2022 Budget. We appreciate that housing is a significant challenge facing many Australians and welcome this attempt to remove barriers to the construction of additional affordable housing.

While broadly supporting this objective, we have a fiduciary duty to act in our members' best financial interests and will consider any investment on a case-by-case basis.

In addition, we participate in social bonds including from the National Housing Finance and Investment Corporation (NHFIC). The NHFIC is an independent corporate Commonwealth entity dedicated to improving housing outcomes for Australians. It does this by providing cheaper and longer-term financing to community housing providers which supports investment and sustainable growth in affordable housing.

- **The CIO regularly praises the performance of the infrastructure and private equity and direct property asset classes. Are we ever likely to see these two offered as a standalone investment option?**

At this stage we're not considering stand-alone options for these asset classes.

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- **Why has the Sustainable High Growth option diverged so greatly from the regular High Growth option? They were in synch until about Dec 2022 from what I can ascertain and now the Sustainable High Growth option is way below both regular High Growth and Balanced. What are the major investment differences that were made to have caused this and have these been corrected?**

Our Sustainable High Growth and Sustainable Balanced options invest in assets that are selected based on sustainable investment criteria. We also apply negative screens to identify types of companies or industry sectors (find out more about these [here](#) on our website). The sustainable investment criteria limits exposure to the Energy sector and limits companies with exposure to fossil fuel generation or extraction.

It is expected that these options will perform differently in different market environments. The divergence in performance is more likely to be pronounced during periods of financial uncertainty where the returns between different sectors and regions are materially different.

These options had a greater underweight position to the Energy sector and that was the biggest driver in the underperformance relative to standard options. For the year ended 31 December 2022, the Energy sector returned 47.7% (in local currency as per MSCI World Energy Index) outperforming the broad market return which fell by 17.7% (in local currency as per MSCI World Index).

- **You highlighted the middle stable path of the Balanced investment option performance over this difficult period. The Sustainable Balanced option did not fare so well. Over what time scale do you see the Sustainable Balanced option recovering and performing as well as the Balanced option?**

Our Sustainable Balanced and Sustainable High Growth options are constructed differently to our mainstream options and have a lower holding to the Energy sector. The divergence in performance between the Sustainable Balanced and Balanced is more likely to be pronounced during periods where the Energy sector performs above or below the broader market. For more information, please refer to the Product Disclosure Statement.

- **Why have the "sustainable" options in the balanced and high growth investments performed so much more badly than the balanced and high growth options?**

The investment criteria that we apply to our Sustainable Balanced and Sustainable High Growth options limit exposure to the Energy sector and limit companies with exposure to fossil fuel generation or extraction. As a result, these options had a greater underweight position to the Energy sector and that was the biggest driver of the underperformance relative to our standard options.

- **Currently, the interest rate for cash in banks is higher than what we are receiving in UniSuper. Can you please advise whether this will change for members, as both my husband and I have funds in cash?**

A key consideration when comparing the rates available on Australian bank deposits and the return on the UniSuper Cash option, is that the UniSuper Cash option's published return figure is backward looking (measuring past performance), while the rate that banks advertise is forward looking. Over a period like that just experienced with rapid increases in the Reserve Bank's official cash rate, such differences are particularly acute.

Additionally, the interest rates advertised by the banks are usually quoted as an annual rate, so comparisons with the UniSuper Cash Option must be on an annual rather than part-year basis.

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- **On the page "How your super is invested" less than half of the funds invested are shown. More than half is listed simply as "Other". How do I find out about the "Other" investments?**

We provide the holdings for our investments on our website, you can access these [here](#).

- **There is a large amount of chatter about a recession looming. Are these just prospective short sellers trying to swing the market?**

The increased debate about the possibility of a recession occurring in Australia (and elsewhere) has generally come about as a result of the relatively swift tightening in interest rate settings by central banks as they have moved to try and quell inflationary pressures in their economies.

- **What major global and national risks do we envisage and what are the safeguards to protect against that?**

We have become increasingly cautious about the outlook for earnings and growth more broadly as global central banks have been tightening policy rates in recent times. We have been building cash levels in anticipation of any opportunities that may arise.

- **You mentioned you're considering large investments in Tasmanian forestry. Does this include logging of old-growth native timber forests, and how would this fit in with your ESG strategy?**

The investment opportunities we're considering are in plantation forests, not old-growth native forests. Our co-investors are not logging companies, but reputable institutional investors. To manage the global demand for timber, we believe an appropriate strategy is to convert hardwood to softwood, which in certain circumstances may produce carbon credits.

- **What investment options would you recommend in the present situation?**

We offer a range of investment options with different risk profiles. You can find out about these [here on our website](#). As everyone's circumstances are different, we suggest you contact one of our super consultants to help you understand what investment options might be right for you. Simply [book an appointment](#) or call us on **1800 823 842**.

**The Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that UniSuper adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. Our Sustainable Balanced, Sustainable High Growth and Global Environmental Opportunities options have RIAA certification.*

Detailed information about RIAA, the Symbol and UniSuper's methodology, performance and stock holdings can be found at responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA.

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.

Product

- **I would like to know why there is not an option to specify the account you wish to withdraw from and whether there are any plans to address this.**

UniSuper is continually considering our product offerings and what potential options, features, and enhancements we may look to introduce to support members in the future. One of the three objectives of our UniSuper's Retirement Income Strategy (RIS) - which you can find on our website [here](#) - is 'Flexibility' allowing members flexibility when it comes to accessing funds when they need them in retirement.

UniSuper is actively considering as part of our RIS, possible future improvements to our pension products, including investment strategies and withdrawal / drawdown options. We will look to update members on any future plans or confirmed changes to our product offerings as soon as we are able to.

Insurance

- **Insurance premiums seem to be increasing everywhere. Is UniSuper doing anything to minimise this, or should we expect further increases?**

Recent insurance premium surveys show that, while median premiums increased generally for older members across most cover types, UniSuper remains very competitively priced amongst peer funds, despite the increased cost of Death and TPD cover which took effect in September 2022.

UniSuper continues to review the level of default insurance, to ensure it offers a reasonable base of cover which is appropriate to our membership at each life stage and considers the changing lifestyle and work patterns of our members. We also review the cost of cover to ensure it remains affordable and does not unnecessarily erode member balances.

We will continue to make changes to ensure the Fund remains contemporary - including to the insurance offering.

Cybersecurity

- **How is UniSuper dealing with cyber issues to provide members confidence in the system?**
- **Given the latest data breaches, what measures have the organisation taken to further protect members' information?**
- **In light of continuing and widespread threats to cyber security, what steps is UniSuper taking to keep our accounts and funds secure?**

We are responsible for protecting our members' information and we take this very seriously. We have a dedicated information security team that manages the security of UniSuper's data and systems, and monitors all systems for suspicious activity, 24/7. They continually review and assess how well prepared we are for a cyber threat, and they evaluate how appropriate and robust our internal controls are. This is to ensure our response to cyber threats are effective, and that we stay at the forefront of what is a continually changing landscape.

We continue to invest in information technology and cyber security to provide the capabilities crucial in meeting the needs of our members, employers, and the Fund, while keeping information protected from cyber threats. Further, our information security team has enhanced its threat detection and rapid response capabilities to keep UniSuper cyber-safe.

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We also partner with a global managed security service provider who provides an advanced threat monitoring service. In addition, we have all the controls you would expect of financial institution today—both preventative and detective controls.

We are members of ACSC (Australian Cyber Security Centre) and Joint Cyber Security Centre (JCSC) and have a direct line of communication with them where they share security information, alerts, and indicators of compromise to organisations.

We regularly educate our employees to be vigilant to cyber threats, and finally, we share important information with you on how you can take steps to [help keep your account safe](#).

ACS merger

- **Mark Armour spoke about the amalgamation of UniSuper with Australian Catholic Super and Retirement Fund. I was a little nervous about this after being an ACSRF member for a very long period. From a personal perspective I believe you oversaw the transition pretty seamlessly...from my perspective you have done well.**

Thank you very much for your feedback.

- **It has been 3 months since the merger with Australian Catholic Super and I still do not have it integrated into my existing UniSuper account. Why not put on more staff to merge the accounts rather than have members wait 3 months so far and no deadline given as to when this will be achieved?**

For Australian Catholic Super (ACS) members who had an existing UniSuper super account in addition to their ACS super account, at the time of the successor fund transfer, in some cases we chose not to automatically merge the two accounts. This was to ensure those members didn't lose potential benefits, such as insurance cover, as part of the transfer.

We have been working on all these accounts and have now merged most of them. Some account mergers have been more complex, which means they are taking a little longer to finalise. We aim to merge all remaining accounts as soon as possible, and once finalised we will contact all impacted members to explain how their accounts have been combined. If you haven't already heard from us and would like an update, you may like to call our Member Services team on **1300 331 685**. Otherwise, we will be in touch with you shortly.

Pension

- **I'm currently drawing the minimum (mandatory) amount from my Flexi Pension which I was allowed to halve when COVID lock down occurred. Do you expect that minimum amount to increase in the near future? Will the Labor Government require us to increase it?**

The previous government extended the temporary reduced minimum drawdown rates to 30 June 2023. Unless the current government decides to extend this (which we currently have no evidence of), minimum pension drawdown rates will revert to the standard rates from 1 July 2023.

Defined Benefit Division

- **Why did you lobby the government to exclude DBD members from choice of super?**

The Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019 affected the way in which new members would join UniSuper's Defined Benefit Division (DBD). In 2020, we proposed an amendment to the Bill that would allow choice to be provided to all newly eligible defined benefit members but deferred—thus providing such individuals “additional choice”. In the end, the Bill was passed without those amendments. While there has been no direct impact from the choice of fund changes that has been observed to date, other changes to superannuation law, in particular, stapling have necessitated changes to the way members join our Defined Benefit Division.

Other

- **Will you create an Adviser Portal so that external financial planners who service UniSuper members can have timely access to their mutual clients' data?**

UniSuper recognises the importance of the relationship between their members and external financial advisers. UniSuper is currently reviewing options to improve the access to member information where a third party authority is held, and provide dedicated service to external financial advisers.

- **What are your related party payments and why are they so high?**

Our related party payments aren't high in the circumstances. The related party payments are nearly all payments to UniSuper Management Pty Limited, which is wholly owned by the Fund (this is apart from a small fraction which is paid to the trustee itself). The payments to UniSuper Management Pty Limited are used to cover the costs which it incurs in acting as administrator and as an investment manager on behalf of the Fund. Any residual surplus ends up benefiting our members because that company is owned by the Fund on behalf of our members. In understanding those payments, it is important to understand that UniSuper Management Pty Limited manages over 70% of the Fund's assets and is paid for doing so – if this weren't the case, payments to unrelated investment managers would be higher. In comparing funds, it should be borne in mind that (apart from related party payments) other funds may be making substantial payments to unrelated administrators and/or unrelated investment managers and/or may be structured differently (for example, the same kinds of costs might be incurred directly by another superannuation fund and so would not appear in their financial statements as a payment to a related party). When comparing funds for value for money, UniSuper members can take comfort that, when all things are considered, the fees paid by our members are often amongst the cheapest in Australia.

- **Perhaps more reporting and less promoting?**

Thank you for your feedback, and we will take this into consideration for our future Annual Member Meetings.

- **Has UniSuper considered offering an option for "Giving While Living" - for those of us who do not want to die rich and have no need to bequeath our wealth to family or friends, etc?**

All decisions made by superannuation fund trustees must be for the sole purpose of providing a retirement benefit to their members and we must act in the best financial interests of our members. Members cannot access their super until they reach retirement or meet another condition of release. This means UniSuper cannot provide a product for a purely philanthropic purpose. Once a member meets a condition of release, they are able to withdraw their superannuation and use it to meet their needs or as they see fit.

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- **What time of the year is best to retire?**

Everyone's circumstances are different. We suggest you speak to one of our financial advisers who can talk to you about your financial situation. Find out more about our [financial advice services](#) or please call **1800 823 842**.