

# **“An asset owners perspective on the importance of sustainability metrics driving performance”**

Friday 7 October 2011



# Agenda

- › Background to UniSuper
- › Asset owners and sustainability / ESG
- › The importance of sustainability metrics
- › Challenges
- › What does this mean in practice?
- › Conclusions

# Background to UniSuper

- › Not for profit superannuation fund
- › 435,000 members
- › AUM – \$29B
- › Asset allocation:
  - » Australian shares
  - » International shares
  - » Property
  - » FICC
  - » Private markets (includes infrastructure)
- › Overriding consideration is to always act in our members' best interests

# Asset owners and sustainability / ESG

- › Asset owners seeking to integrate ESG into investment processes
- › Not looking to take a moral/ethical view
- › Focusing on risk management and opportunity identification
- › ESG issues can be difficult to quantify ex ante

# The importance of sustainability metrics

- › You are what you measure
- › The process of working out what to measure is as important as the measurement itself
- › Management of ESG/sustainability risks can be a good proxy for management quality and broader risk management practices
- › Metrics need to be:
  - » Relevant
  - » Material
  - » Comparable
  - » Tied to business strategy and performance
- › Avoid complexity where possible

# Challenges

- › Lack of ESG information
- › Poor quality ESG information
- › Integrating ESG information into financial models
- › Risk that ESG issues will appear financially immaterial
- › Asset owners have limited resources and may not always look at this information...but we notice when it is not available

# What does this mean in practice?

- › Investors want information regarding:
  - » Key ESG issues facing the company
  - » Metrics around these issues
  - » Performance to date
  - » Strategies to improve performance
  - » Performance vs. peers
- › A company knows itself better than anyone else:
  - » It needs to identify key metrics (and engage)
- › Useful points of reference:
  - » E.g. peers, sustainability leaders, AGIC Sustainability Framework, GRI, OECD Guidelines, Equator Principles, UN Global Compact
- › Sustainability reporting

# Conclusions

- › Sustainability metrics:
  - » Are important to asset owners
  - » Should not be seen as an end point
  - » Are useful in framing dialogue
  - » Can drive continuous improvement