Top super fund dumps coal miners as emissions cuts intensify
By Nick Toscano The Age & The Sydney Morning Herald July 9, 2020

Australia's second-largest superannuation fund is preparing to dump its shares in companies that derive more than 10 per cent of their revenue from thermal coal mining as it embarks on the most aggressive immediate climate push of any large local investor.
First State Super, which holds $130 billion in retirement savings, is distributing a new climate plan among its members detailing initiatives to shield their money from the threats of global warming, including setting a 30 per cent emissions-reduction target across its investment portfolio by 2023 and a 45 per cent cut by 2030.
First State chief executive Deanne Stewart told *The Age* and *The Sydney Morning Herald* climate change posed the single biggest risk to Australians' retirement savings, and superannuation investors must "take bold and decisive action now" to safeguard members' long-term interests.

"Climate change clearly poses the most significant risk to investment portfolios over the long term," she said. "Why we are stepping it up to a much greater degree now is we see that risk front and centre in terms of the impact it is likely to have on investment returns for our members."

The most immediate direct action is to divest all its shareholdings of companies that mine thermal coal – the type of coal used in power generation – by October 2020.
Although the plan does not specify which thermal coal miners will be divested, corporate records indicate First State held shares in ASX-listed Whitehaven Coal, Stanmore Coal, New Hope and Washington H. Soul Pattinson in 2019.
The next phases of the fund's strategy – a 30 per cent emissions cut across its entire listed equities portfolio by 2023 and 45 per cent by 2030 – are more immediate goals than those set by many other investors, whose targets stretch out to 2050.
Along with increasing its investment targets for renewable energy, First State said its goals would be achieved first through engaging with boards of heavy-emitting companies about their plans to decarbonise and then through further divestments where necessary.

"The time for debate and discussion is up: Really large emitters need to have a really clear transition plan with very clear targets, and then action it," Ms Stewart said. "The investment community wants to engage with them, back them and help them in this transition, but not if no action is taken."
First State said it had spent five years engaging with the nation's top polluter, AGL, on decarbonising and welcomed its pledge last month to link executive pay incentives to achieving targets surrounding the expansion of renewable energy generation and selling more "carbon-neutral" energy plans.

The fund's move to divest thermal coal miners is the latest setback for the coal sector following pledges by a growing number of the world's institutional investors to reduce their fossil fuel exposure on ethical and financial grounds.
The world's largest asset manager, BlackRock, this year announced a partial retreat from thermal coal investment citing climate change concerns. HESTA, the super fund for healthcare workers, has divested its thermal coal holdings as part of its plan to be a "net-zero" emitter by 2050.
The Investor Group on Climate Change, which represents big investors with more than $2 trillion under management, said more Australian funds were planning to roll out tougher climate targets imminently.
"The proliferation of emissions reduction goals across Australian portfolios is a clear sign of the growing ambition and sophistication on climate change among institutional investors," said the group's chief executive officer, Emma Herd.
"We expect this trend to only intensify in the coming months."

A spokesman for the Minerals Council of Australia, which counts thermal coal miners among its members, said the group did not comment on superannuation entities' divestment decisions.