

## Investor Briefing, September 2018 (updated Oct 2018)

### NIB Holdings Limited (ASX:NHF)

**UPDATE:** Medibank has now confirmed that it will complete its fossil fuel divestment by 30 June 2019. In an email Market Forces received from Medibank's CFO on 26 September 2018 it states:

*"...we were pleased to achieve our commitment that we made at the 2017 AGM to transition our international equities to low carbon investments during FY18. At the 2017 AGM we committed to exploring a similar approach within our domestic equity portfolio, we are now committed to make the transition to low carbon investments for our domestic equities portfolio within 2019 financial year."*

**This means that the investor briefing below applies to NIB but no longer applies to Medibank.**

*NIB must deliver on its commitment to divest from fossil fuels*

*NIB requires engagement from investors to fulfil its commitments to shift their Australian share portfolios to low-carbon indices.*

### Introduction

At their respective annual general meetings in 2017, both Medibank and NIB committed to completing their fossil fuel divestment process by actively seeking a low-carbon option for their domestic share portfolio. Medibank's statement was also published in the ASX.

*"As the global economy makes the transition to low carbon-emitting energy, we believe it is important that our investment portfolio reflects this. As a result we will be transitioning to low carbon investments in our international investment portfolio within the next twelve months. **We are also committed to exploring a similar approach within our domestic equity portfolio, and so, we will be actively encouraging fund managers to develop a suitable product for us that is socially responsible, cost effective and delivers a sustainable investment return.**"*

- Medibank Chairwoman Elizabeth Alexander, 13 November 2017<sup>1</sup>

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<sup>1</sup> Medibank ASX release, CHAIRMAN AND CHIEF EXECUTIVE OFFICER AGM PRESENTATIONS AND DIRECTOR ELECTION SPEECHES, 13 November 2017, p.3

***“We invest with a fund manager who have a platform of equities. And we’ve indicated internationally we don’t want any fossil fuel investments, and it’s our intention to do likewise in Australia”***

- NIB CEO Mark Fitzgibbon, 1 November 2017<sup>2</sup>

In addition NIB Chairman Steve Crane explained in the same AGM that NIB took the view that it was “not appropriate to be invested in those [fossil fuel] companies”.

Medibank has confirmed its international share portfolio was shifted to a low-carbon index in March 2018<sup>3</sup>. NIB had made this same move in March 2016<sup>4</sup>.

Both NIB and Medibank appear to have made no progress on reducing the carbon exposure of their domestic share portfolio and remain invested in coal, oil and gas company shares. However, Medibank has committed to completing its domestic share divestment by the end of the 2019 financial year, while NIB has made no such commitment.

These fossil fuel companies are involved in activities that harm the health of NIB’s and Medibank’s customers and most have business plans that are not aligned with the Paris Agreement’s goal of keeping global warming below 2 degrees celsius.

### **Honouring a public commitment to divest from industries that harm health**

Fossil fuels are responsible for significant health impacts globally, both through direct, localised pollution and by fueling global warming.

The world’s foremost medical journal *The Lancet* has described climate change as the “biggest global health threat of the 21st Century”. Health researchers all over the world are raising the alarm over the health impacts of air and water pollution, crop failure, mosquito-borne diseases, heatwaves and other extreme weather events<sup>5</sup>.

Air pollution from the mining and burning of coal and internal combustion engines contribute to four of the five leading causes of death in western societies; cancer, respiratory disease, stroke and heart disease<sup>6,7</sup>. Black lung disease is still prevalent in

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<sup>2</sup> <https://www.facebook.com/MarketForces/videos/924037347749153/>

<sup>3</sup> Medibank Private Ltd, Financial Report for the year ended 30 June 2018, p.4

<sup>4</sup> Personal correspondence with Market Forces, 27 October 2017

<sup>5</sup> <http://www.lancetcountdown.org/>

<sup>6</sup> [http://dea.org.au/images/general/The\\_human\\_health\\_tolls\\_of\\_coal\\_fact\\_sheet\\_06-15.pdf](http://dea.org.au/images/general/The_human_health_tolls_of_coal_fact_sheet_06-15.pdf)

<sup>7</sup>

<https://soe.environment.gov.au/theme/ambient-air-quality/topic/2016/health-impacts-air-pollution>

Australia<sup>8</sup>, and oil and gas extraction can expose the public to hazardous chemicals with a wide range of negative health impacts<sup>9</sup>.

Both Medibank and NIB have recognised that fossil fuel industries are not in line with their companies' aims and values due to the health impacts of those industries. Both have made a commitment to align their values with those of their shareholders by divesting from fossil fuels. However, NIB has stopped short of fulfilling this commitment and remains invested in companies whose activities harm human health, contradicting its mission.

### **Reputational risk to NIB**

Both NIB and Medibank's commitments to fossil fuel divestment have been made publicly. In the case of Medibank, this followed a campaign involving thousands of people including customers<sup>10</sup>, shareholders and organisations such as the Public Health Association of Australia<sup>11</sup>. With the links between climate change and negative impacts on human health made clear by recent research<sup>12</sup>, any continuing delay by NIB to match its stated ambitions with action will risk further backlash from concerned stakeholders.

The upcoming annual general meeting of NIB will mark one full year since its divestment commitment was made to shareholders and the wider market. Twelve months is long enough to take a critical step that will reduce the company's exposure to climate risk and align its values with its actions. NIB has received praise for its commitment to the health of their customers, now it needs to put in the work to fulfill it.

### **Recommendation**

Market Forces encourages investors to contact NIB and push it to deliver on its divestment promises by shifting its domestic share portfolios to an appropriate low-carbon product.

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<sup>8</sup> [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(17\)32237-7/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(17)32237-7/fulltext)

<sup>9</sup> <https://climatenexus.org/climate-issues/health/the-localized-health-impacts-of-fossil-fuels/>

<sup>10</sup> <https://www.marketforces.org.au/medibank-losing-customers-due-to-fossil-fuel-investments/>

<sup>11</sup> <https://www.phaa.net.au/documents/item/2468>

<sup>12</sup> <https://www.thelancet.com/climate-and-health>