Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2014-15

Finance Portfolio

Department/Agency: Commonwealth Superannuation Corporation
Outcome/Program: General
Topic: CSC's investments

Senator: Waters
Question reference number: F300
Type of question: Written
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Number of pages: 2

Question:

1. Can you tell us roughly how much of your funds are invested in fossil fuel companies?
2. Can you tell us how much of your funds are invested in coal and how much in renewable energy?
3. In February 2013, the Future Fund pulled out its $222 million investment in tobacco on the basis of its "damaging health effects, addictive properties and that there is no safe level of consumption". Since we know that global warming will cause widespread economic, health and environmental destruction, and since we know there is no safe level of warming beyond 2 degrees celsius, why is Australian public servants' money still being invested such a dangerous industry?
4. Do you have an investment option for customers who don't want their money invested in fossil fuel companies, noting UniSuper recently relented to customer pressure to create such an option?

Answer:

1. As at 30 April 2014, CSC's exposure (through its domestic and international investment portfolio) to fossil fuel companies amounts to approx AUD 1.71billion, or less than 5.3% of total funds under management. These fossil fuel companies have been identified by using the Bloomberg Top Coal Producers Index and the MSCI's Global Industry Classification Standard (GICS).

   Excluding diversified companies, that can re-orient their activities away from fossil fuel production, this exposure is approx $741m or 2.3% of funds under management.

2. As at 30 April 2014:
   a) CSC has AUD 978m invested in coal-producing companies as defined by Bloomberg Top Coal Producers Index
   b) CSC's direct exposure to renewable energy is currently AUD 245m. This comprises:
      i. AUD 214m in renewable energy and environmentally sustainable companies (based on MSCI's Global Environmental Index) across its listed and private equity holdings; and

ii. an additional AUD 31m in wind farm and waste management infrastructure projects.

3. CSC’s objective is to invest the money it manages on behalf of its members to deliver a high net risk-adjusted return and thereby provide adequacy in retirement for its members. Under its governing legislation, CSC is required to outsource individual security selection to external investment managers. In deciding whether to buy or sell a security, CSC’s outsourced investment managers conduct detailed analysis on all of the factors that can impact the value of the security, including ESG risks and opportunities. CSC requires its investment managers to take CSC’s ESG policy into account when managing funds on behalf of CSC.

   Uncertainties remain on the development of climate change models, long term technology advancement in energy usage and government responses, as well as the valuation impact of these on resources companies.

4. CSC had a sustainable investment option for its PSSap members that was run in a similar fashion to UniSuper’s socially responsible options. At its peak, CSC members’ investments in the PSSap Sustainable Option reached AUD 15m, or 0.35% of PSSap FUM. The costs of maintaining this option to members became prohibitive and the option was closed.