

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: F301

Type of question: Written

Date set by the committee for the return of answer: Friday, 11 July 2014

Number of pages: 2

Question:

1. Firstly, have you specifically tracked the risk of a carbon bubble affecting the value of superannuants' investments?
2. In March this year (2014) the oil company Exxon Mobil agreed to monitor and report on how the risk of stranded fossil fuel assets might affect its shareholders. If you are not currently monitoring carbon risk, what other evidence are you waiting for?

Answer:

1. - 2. Yes. CSC's approach to climate change is to ensure portfolios are constructed with due attention to climate change risks and opportunities (along with other factors). Similar to other known potential investment risks, we continue to monitor developments in this area with the assistance of our external advisors and managers.

CSC has been a signatory to the Carbon Disclosure Project ("CDP") since 2002 and in recent years the associated Water and Forests program. This program uses an online system to seek disclosure from companies of their exposure to the risk of carbon, water and deforestation in their operations and supply chains. This enables wider investor scrutiny on climate change risk.

CSC monitors the environmental rating and carbon footprint of its investments utilising MSCI's Carbon Beta and Intangible Value Assessment (IVA) scores and ratings. This data is incorporated into our risk management processes, along with assessments provided through Regnan, in order to monitor and manage the level of ESG related risks in the portfolio. Regnan also provides a basis for constructive engagement with our external managers to ensure they are taking these factors into real consideration. (Regnan was established and is wholly owned by institutional investors, including CSC, who are interested in the long term performance of the companies in which they invest. Regnan works closely with CSC to monitor those corporations to which CSC members have

material exposure, identify potential risks and their mitigants and proactively but constructively raise CSC's concerns at company, industry and policy level as appropriate.

CSC's ongoing corporate engagement on climate change (undertaken largely through Regnan) focuses on encouraging attention to and seeking assurances about climate change preparedness. Carbon bubble / stranded asset risk is explicitly considered, including indirect exposure via financing of fossil fuel assets and transport infrastructure, contract mining, explosives, engineering services, and other supply services to the fossil fuel sector.