

Due process and climate change – are you prepared?

‘Perfect Storm Super Fund’ – 2nd board meeting

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Perfect Storm Super Fund : Investment case overview

In 2013 PSS acquired the North Coast Port and Coal terminals investing in a fund vehicle with two other large pension funds.

- **Valued at \$2 billion**, and the next closest offer was \$1.2 billion.
- **Sale term:** Must be used as Port, cannot be rezoned or resold, or would require a change in the Sale Act at the time it was sold.
- **Purchase price** based on:
 1. Historical commodity flow through the mine
 2. Future demand based on a growing global demand for coal & development of other regional commodities such as agriculture for export overseas- although local demand for such products remains high.
- Main income from coal export A\$15 billion est. value, also supports much coal and regional industry in the Port catchment area. The exported coal mix is low grade thermal coal, some coking coal for steel production.
- Many coal mines that flow through the port are nearing 'end of life' OR have experienced bad underground fires in recent years (including a fire lasting 3 weeks with 20% of production shut down).
- 1 major regional coal company seeks to expand mine production. However:
 1. Is subject of an international divestment campaign and
 2. Faces challenges by the farming community given the proposed location on prime agricultural land.
 3. Major financiers have withdrawn following sustained campaign activity.
- The facility is along a coastal area with a low seawall which has protected the Port so far, despite being subject to increasing storm surges. Recent storm damage inflicted \$250 million of damage on the seawall. CSIRO and state govt. data indicate the wall is unlikely to prevent more frequent and severe surges expected in the next 20 yrs and longer term sea level rise. Rebuild cost up to \$5billion.
- **2015 valuation \$500mn** assuming rezoning

Previous resolutions passed by the PSS Board :

- **Resolution 1 – Policy:** The board agreed that climate change be explicitly addressed in the fund’s statement of investment beliefs as a long term systemic risk and that a revision of the fund’s statement of investment beliefs be presented to the Board at its next meeting for approval.
- **Resolution 2 – Policy Implementation:** The board agreed that it should receive an annual update from the Investment Committee on how the investment implications of climate change are implemented.
- **Resolution 3 – Investment strategic** The board agreed that climate change risks and opportunities should be formally incorporated into the Fund’s investment process through strategic reviews.
- **Resolution 4 – Timeframes and Implications:** The board agreed to acknowledge climate change as a long term issue and on this basis: It was resolved that the Investment Committee address the constraints and implications of an anticipated two degree global carbon budget, regulatory change and the physical impacts of climate change in implementing the investment strategy
- **Resolution 5 – Investment allocation:** It was resolved that the Investment Committee seek low carbon investments on an appropriate risk for return basis and consistent with the Investment Strategy.
- **Resolution 6 – Measurement :**The board agreed that the Investment Committee should adopt a methodology for measuring the Fund’s exposure to climate change risk.
- **Resolution 7 – Communication:** The board agreed that the fund should adopt a position of transparency on climate change and should publish and make clear to members: (a) The fund’s approach to climate change, and (b) Metrics on climate change and carbon intensity at whole of fund and asset class levels.