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## **Carbon price likely to have limited impact on most super funds, but carbon risk varies across portfolios – new research**

The Government's proposed carbon price from July next year would have a limited impact on super funds overall, suggests new research released today by the **Australian Institute of Superannuation Trustees (AIST)**.

The research into the carbon footprints of the Australian equity portfolios of 14 of the largest superannuation funds found that at a carbon price of A\$23 a tonne, carbon costs could amount to up to 0.8% of revenue from companies held. The carbon footprint of the 14 superannuation funds is 8% smaller than the carbon footprint of the ASX 200 Index, indicating a slight bias towards less carbon-intensive investments. However, some portfolios invest in carbon-intensive companies in the ASX 200 that will need to cut their emissions to manage financial risk from carbon costs.

The research – commissioned by AIST and conducted by **global environmental research group Trucost** - examined how exposed Australian super fund assets are to carbon costs under the Government's proposed legislation.

Other key findings include a wide variation in the carbon footprints of super funds, with a 46% difference between the smallest and largest footprints, suggesting varied exposure to carbon costs. An even wider variation in carbon risk was found across all of the 88 equity portfolios held by the funds – with carbon footprints ranging from 44 to 457 tonnes of carbon per A\$ M of revenue. The carbon footprint of the 10 highest-performing portfolios was 7% smaller than that of all 88 portfolios combined, suggesting that funds could reduce their carbon footprints without sacrificing financial returns.

**AIST CEO Fiona Reynolds** said the research would prove valuable for super funds in their measurement and management of carbon risks and opportunities.

"Super funds, as owners of Australia's major corporations, need to know how the value of their investments may change under a carbon price scheme," said Ms Reynolds.

"While the research suggests that a carbon price of A\$23 a tonne will have only a relatively small impact on super fund revenue, it also points to those funds with a smaller carbon footprint being in the best position as Australia shifts to a low-carbon economy."

**Richard Mattison, Chief Executive of Trucost, said:** "Our research shows that carbon costs could hit earnings most for ASX 200 companies, held in many of the funds, that are more carbon-intensive than their peers in six sectors. Superannuation investment managers can manage carbon risk by integrating carbon metrics into investment processes and identifying opportunities from companies that are better positioned for a low-carbon economy."

### Key findings:

- 46% difference between the largest and smallest carbon footprints of the equity portfolios held by 14 of Australia's largest super funds;
- If the carbon price of A\$23 a tonne was applied to the companies held by the super funds at the time of the survey, their carbon costs would equate to between 0.5 % and 0.8% of revenue allocated to superannuation funds;
- The carbon footprint of the 14 superannuation funds analysed in 2011 is 269 tonnes of carbon per A\$ M revenue;
- The ASX 200 Index has a larger carbon footprint than the funds, at 292 tonnes of carbon per A\$ M;
- Of the 88 equity portfolios examined, there was a ten-fold difference between the smallest and largest carbon footprints. Portfolios with smaller carbon footprints are likely to be well positioned for a shift to a low-carbon economy;
- Carbon costs would equate to 1.4% of earnings on average for ASX 200 companies. The carbon footprint of some super funds has reduced in the past three years. Of the nine super funds that took part in a similar 2008 carbon footprint study (also by Trucost), seven recorded reduced carbon footprints in 2011, one fund by as much as 31% per cent;
- The carbon footprint of all 14 funds is 25% smaller than that of the 14 funds analysed in 2008.

### Further media enquiries:

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*AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.*

*Trucost is a global environmental research company that enables organisations to identify, measure and manage environmental risk and opportunity associated with their operations, supply chains and investment portfolios.*