

## FROM THE CAPITAL

# Australian university dumps mining investments

Emotion, politics, strategy, shame ... and the absence of reason

John Robertson\*

The Australian National University (ANU) dropped a bombshell, stirred up a hornet's nest and opened a Pandora's box of worms when it announced it would dump some of the best known Australian resources companies from its A\$1.3 billion (US\$1.14 billion) investment portfolio.

On October 3, the ANU announced that its council had taken the advice of vice chancellor professor Ian Young to divest seven stocks. All seven – Iluka Resources, Independence Group, Newcrest Mining, Sandfire Resources, Oil Search, Santos and Sirius Resources – were mining or oil and gas companies.

In the normal course of events, fund managers are buying and selling stocks every day. If they feel the need to sell because of an itch on their right buttock, that is their call. If they have sophisticated mathematical models honed to perfection by a phalanx of PhDs, that's fine too. Reasons vary and managers are hardly ever answerable publicly for decisions they take about individual stocks.

Those that do talk publicly usually have an ulterior motive and so it appeared with the ANU. Firstly, someone decided to make a formal announcement about something that hardly needed disclosing. Secondly, the professor himself apparently hit the hustings to talk about his recommendation to sell.

Professor Young was quoted by Fairfax Media, for example, as saying that these were companies producing materials with high CO<sub>2</sub> emissions. He was also quoted directly as saying that their "track record hasn't been as good as some others in terms of their immediate impact on their local environment". A third reason for dropping the stocks from the portfolio was that "they may well be companies where their governance criteria means they're not very transparent so it's difficult to assess what they're doing".

Of course, these comments were a red rag to any of the companies being characterised so publicly in these ways. They and others in the industry felt ambushed. The companies had been given no inkling of what was to be said about them. It seemed like another cheap shot at the industry by people with a hostile agenda.

The Sandfire Resources chief executive was especially angry that allegations about his company were based on data to which the



*On your bike... one of Australia's universities has offloaded mining and oil/gas investments in a political statement about ethics*

company did not have access. He has threatened legal action. Several state premiers dumped on the university for dumping the stocks. The prime minister and treasurer, among other Australian government ministers, weighed in against the decision.

Professor Young has since described the university's policy as "more nuanced" than had been recognised. According to the professor, the decision emanated from calls locally and among his peers overseas to divest all fossil fuel investments. He admitted, however, that this was hard to do in Australia. Consequently, ANU established a socially responsible investment policy, he said.

In other words, so much pressure was being exerted to do something entirely impractical that the lobbying had to be appeased in some other way. 'Nuanced', in this case, turned out to be a euphemism for the incoherent shambles produced when attempting the intellectually impossible.

Professor Young has found himself confronting an unsolvable puzzle of the university's own making. "The university has a responsibility to invest wisely", he said, but it also had to be done "in a manner consistent with the desires of our stakeholder students, alumni and staff".

Reconciling students overtly hostile to the current structure of the economy with profit driven businesses would be a daunting task for any mere mortal. One wonders why anyone would even pretend to try. This might be one reason the university has also now decided to outsource its investment management activities.

Part of the reason for the wild reaction to the university's decision is the importance of the mining sector to the Australian economy. And herein lies one of the professor's more

egregious hypocrisies. The ANU is an Australian government authority sited in the national capital. The university's own funding relies, as does the Australian government's coffers, on a vibrant mining and energy industry.

Taking away that part of the university's funding that relies (directly and indirectly) on the mining industry would have repercussions on the numbers of teaching staff and the quality of the educational product the university can offer.

ANU can take its investment decision because, it believes quite rightly, it can escape the full cost of using its investment arm for social and political ends. It can suck up all the benefits of the Australian mining industry while retaining an aloof disdain for what the industry does.

None of the ensuing debate has dealt specifically with the merits or otherwise of the companies being called out for their alleged lack of social responsibility. The taxpayer funded ANU has refused to release the report that is supposed to have identified and assessed the extent of their failings. On those points, we are none the wiser.

Sirius Resources, one of the companies singled out as having fallen short of the university's unspecified standards, has produced some of the most outstanding mineral exploration results in a generation. Two years ago, it made a major nickel find in the Fraser Range in Western Australia. Many believe this deposit could herald a new mining region of global significance. Any country in the world would covet such an outcome.

The ANU's stance implies that Australia is better off without the likes of Sirius even before the company has produced a sliver of nickel. The university has evaded questions about why this should be so.

Professor Young and his many vocal supporters are now seeking to recast the debate as being between those in favour of fossil fuels and those against. This is a disingenuous reconstruction of what has happened.

The ANU dragged its investment decision into the public domain and gratuitously took a swipe at the mining and energy industry. A refusal by the publicly funded institution to release the report on which it said its decisions were based is good enough reason to take it to task. The merits of fossil fuels is an entirely different debate. ▼

\*John Robertson is a director of EIM Capital Managers, an Australian-based funds management group. He has worked as a policy economist, business strategist and investment market professional for nearly 30 years after starting his career as a federal treasury economist in Canberra, Australia