

**Prof. Saunders:** Those discussions are still ongoing, but are almost at a conclusion, and I would certainly be confident that they will be able to be compliant.

**Senator KIM CARR:** A condition was increasing academic support for staff. Was that one of the conditions?

**Prof. Saunders:** I would have to take that on notice.

**Senator KIM CARR:** I have them here in front of me. You could just tell me whether these are right and which areas remain outstanding: increasing academic support for staff in line with student projections; timing and particulars in regard to full-time and permanent appointments; support the development of sessional staff for the development of academic leadership; support for the development of teaching and learning knowledge and skills and culture; and criteria for assessment of the equivalent professional practice. It is clearly an issue in regard to the operations of staffing at the college. Is that the issue that remains outstanding?

**Prof. Saunders:** I would have to take that on notice. I do not know whether that is the condition that is outstanding. What would be required under the conditions in a general way would be that we would need to see that the college is able and willing to take steps to remedy those particular issues that have been identified in the registration and accreditation process.

**Senator KIM CARR:** The Institute of Health Sciences.

**Prof. Saunders:** Is that Sydney Institute of Health Sciences?

**Senator KIM CARR:** Sorry, the Sydney Institute of Health Sciences. Is there more than one?

**Prof. Saunders:** I think it is the only one that has 'Institute of Health Sciences' in its name.

**Senator KIM CARR:** The department claimed to answer a question about the regulatory status of the Chinese medicine in New South Wales where the college operates. Have you anything to further to report in regard to the operations of this college?

**Prof. Saunders:** No, nothing further than they do offer a bachelor of traditional Chinese medicine.

**Senator KIM CARR:** Mr Griew, would they be eligible for CSP funding?

**Mr Griew:** The same criteria would apply that I outlined before.

**Prof. Saunders:** Senator, although you have not asked the question, I might point out that nine of Australia's 37 public universities offer courses at the bachelors, masters and doctoral level in complementary and alternative medicine.

**Senator KIM CARR:** My complaint is not about Chinese medicine; it is about this particular college. Thank you very much, time is short and I will put the rest of my questions on notice.

**CHAIR:** There being no further questions for TEQSA, thank you very much for your evidence. I now call the Australian National University.

**Australian National University**

[15:04]

**CHAIR:** Welcome. Great to see you, Professor Young. Only one senator called the ANU to the committee, and that was Senator Leyonhjelm.

**Senator LEYONHJELM:** Are you going to ask them if they want to make any opening statements?

**CHAIR:** No.

**Prof. Young:** Chair, I am very happy to answer questions that the committee may put to me.

**Senator KIM CARR:** Is this the first time you have appeared at the estimates committee?

**Prof. Young:** I believe it is.

**CHAIR:** Senator Leyonhjelm.

**Senator LEYONHJELM:** Thank you. Does the ANU agree that its decision of 3 October to divest from Santos, Newcrest, Iluka, Sandfire, Oil Search, Independence Group and Sirius is a significant decision?

**Prof. Young:** I think the best way to answer that question, Senator, is to actually put the decision in context, which I think explains exactly what has happened here. In contrast to what has been reported in the media, ANU has not, for instance, divested of all its oil, gas or coal equities. In fact, we have adopted a socially responsible investment policy, or SRI policy. That is aimed, essentially, to look at our share portfolio and to assess the environmental, social and governance criteria of each of those entities within the portfolio. We do that because companies that have good environmental, social and governance performance are generally regarded as low-risk entities that you would invest in compared to some others. The ANU has, actually, assessed all of its shares against criteria provided to us by a very reputable international company that assesses these entities and, on that, it has made some relative judgements of the compliance against that of each of our shareholdings.

This is in fact, in my view, a very measured response from the university to look at the risks that it faces. We were delighted when we undertook this assessment to see that only two per cent of our entire investment portfolio fell into the lowest echelon of each of those assessments. Based on that we decided to divest our holdings in those entities. We feel that a divestment of two per cent of our share holding, \$16 million in this case, was a fairly minor response to assessing the risks that we face. Therefore the answer to your question is: I think in that context we did not believe that this was a significant event and, I have to say, I have been completely amazed by the level of media interest in this since that announcement.

**Senator LEYONHJELM:** Did the university inform the minister of its decision to engage an advisor on ethical investment?

**Prof. Young:** No.

**Senator LEYONHJELM:** Did the university inform the minister of its decision to divest from Santos, Newcrest Mining, Iluka, Sandfire, All Search, Independent Group and Sirius?

**Prof. Young:** No, and independent universities most certainly do not report such things to the relevant minister.

**Senator LEYONHJELM:** Presumably that means you did not inform the minister after the decision was made.

**Prof. Young:** I have had no discussion with the minister on this issue.

**Senator LEYONHJELM:** Did the university consider that to do so would affect the academic independence or integrity of the university?

**Prof. Young:** The university does not have a view on that. It is simply something which we would not do as a matter of course. We have not done it, and I cannot imagine that we would have a reason to do such a thing.

**Senator LEYONHJELM:** Section 19 of the Public Governance, Performance and Accountability Act, imposes a duty on the University Council to keep the minister informed of the university's activities, to give the minister reports, documents and information in relation to those activities, and to notify the minister as soon as possible after the council makes a significant decision in relation to the university. Is this a reasonable suggestion?

**Prof. Young:** I think that, if we informed the minister every time the university made a change in its investment strategy of one or two per cent of its entire share portfolio in this case, an expenditure of \$16 million, I think I would be in the minister's office every single hour of the day. My delegation within the university allows me to expend sums of that amount in a budget of \$1 billion.

**Senator LEYONHJELM:** Section 25 of the Public Governance, Performance and Accountability Act 2013 imposes a duty on council members, as officials of a Commonwealth entity, to discharge their duties with reasonable care and diligence. Do you consider that council members might be in breach of this section?

**Prof. Young:** No, I am very confident that members of the council have acted responsibly. Indeed, the members of my council, as are all officers of the university, are very much aware of their responsibilities. Let me give you some background that I think demonstrates that very clearly. The university has an investment portfolio of something like \$1 billion. This is made up of a number of sums of money. In fact, almost half of it is funds that the university holds to meet emerging superannuation liabilities of former members of the Commonwealth Superannuation Scheme. Now the university has full responsibility to meet those emerging superannuation liabilities. We have no recourse, for instance, to go back to the Commonwealth and ask for additional funds, unlike universities in a number of states that indeed have that discretion. So the university takes these things extremely seriously.

The universities investment portfolio over the last 10 years has generated a return of some 9.1 per cent, which is 6.3 per cent above CPI over that period of time. So it has been invested very carefully and very wisely over that period of time. In the case of the individual shareholdings we are talking about now, although the primary reason the university decided to divest was because of the application of our socially responsible investment policy, members of the council are obviously aware at any time of the financial implications that such actions might have. The return on those stocks over the period of 2014—this calendar year—so far on that \$16 million has in fact been \$550,000, or about three per cent. Indeed, over the total period of time the university has held those shares they have decreased in value by 25 per cent. So in a very high-performing share portfolio, as it happens these share holdings are not the stellar performers. So although that was not the primary reason for the divestment, members of the council are very much aware of the implications of any actions that they make in terms of their fiduciary responsibilities.

**Senator LEYONHJELM:** You have referred to the international expert who advised you in respect of these divestments. I understand that was a company named CAER. Would you agree that that adviser is in the business of providing financial product advice?

**Prof. Young:** What that company does is provide environmental, social and governance assessments of companies. It does not actually say to you that you should invest or you should not invest. It actually provides rankings or assessments of companies against international standards in the area of environmental, social and governance criteria.

**Senator LEYONHJELM:** You would not categorise that as financial product advice?

**Prof. Young:** No, I do not believe so, but there are experts in the financial area who might be able to define that better than me.

**Senator LEYONHJELM:** Are you aware that Howard Pender, a former ANU student and visiting fellow at the ANU in the 1990s is a non-executive director of CAER.

**Prof. Young:** I am not aware of that.

**Senator LEYONHJELM:** Are you aware that Howard Pender was one of three people who prepared a report in March 2014 on climate-proofing investment?

**Prof. Young:** I am aware of this report. I am not aware of who the authors are.

**Senator LEYONHJELM:** Are you aware that this climate-proofing investment 2014 report states in the disclaimer:

The authors and the publisher of this report are not in the business of providing financial product advice.

Would you agree that that is a false statement with respect to Mr Pender?

**Prof. Young:** I am not in a position to be able to respond to that.

**Senator LEYONHJELM:** The university has stated that it engaged with an ethical investment adviser in response to a significant push from stakeholders. Was a fossil-fuel-free ANU student group one of those stakeholders?

**Prof. Young:** We have had quite a number of stakeholders within the university over an extended period of time suggesting to the university that it should divest of its fossil fuel stocks. The council of the university has considered this matter on a number of occasions and has come to the conclusion that this is simply not a practical or wise thing to do. Let me explain why. Although I, and I think many other people, believe that the world is moving towards a time in which we will be less dependent on fossil fuels, the reality is that our economy and indeed the world economy is going to be dependent on fossil fuels for decades to come. So, to simply make a decision that you are not going to invest in fossil fuels is just not a practical thing to do.

**Senator LEYONHJELM:** That was not the question.

**Prof. Young:** Secondly, the council, as I said before, determined that if the university was to apply a criterion like this it would simply shut out too much of the share portfolio to be something that it would do with careful financial consideration. So, whether a particular group within the university is lobbying for some particular action or not is immaterial, because that is not the action the university has taken. It has not divested of fossil fuels, and the university still has a share portfolio that includes many major Australian companies involved in the resources sector and indeed in fossil fuel activity.

**Senator LEYONHJELM:** Did the group Fossil Free ANU mention CAER as an ethical investment adviser that the university could engage with?

**Prof. Young:** No. I can categorically indicate that that is not the case.

**Senator LEYONHJELM:** How did the university come across CAER?

**Prof. Young:** Once the university had developed its socially responsible investment policy the university's investment office, which advises the university's investment advisory committee, went out and searched for appropriate companies to undertake an assessment for us. They determined three possible companies. We assessed each of these companies under the normal procurement processes of the university and ultimately determined that CAER, which is backed by EIRIS, a major international provider, and has many years of experience in this area, was an appropriate company to assess the full cross-section of shares the university holds.

**Senator RHIANNON:** I want to pick up on some of the issues with the Centre for Australian Ethical Research, because I did read reports that CAER are rewriting their assessment for Sandfire Resources. Is that correct?

**Prof. Young:** The situation is that since this decision has gone public a number of the companies have come back to the university, initially, and indicated that they want to engage in the process further than they have. Just for your background, what CAER does is go out to every company on a regular basis and make its assessments on information that is in the public domain and go back to those companies and indicate to the companies: 'This is the information we have on you. Is it correct, or not? Do you have anything more to add?' And it is up to companies to respond to that. I understand that Sandfire has been in discussions with CAER. They say, 'We now believe there is additional information that we can provide to you', and based on that CAER have I think been having discussions with them. Whether they decide to change their current assessment or not is something for that company as it works through its usual processes as a result of new information coming to hand. But I am not involved in that, and if CAER at some point in the future wants to bring a new report to the university then that is up to them.

**Senator RHIANNON:** Are you aware whether CAER is rewriting any other reports that they have given to you on other companies?

**Prof. Young:** Not to the best of my knowledge. And perhaps I can say that the university has full confidence in the work that it has used in this matter.

**Senator RHIANNON:** So, you have explained what information they provide to you on the company, so—

**Prof. Young:** For each of the companies—and it is not just these companies; we have essentially purchased access to their database, which assesses all of the ASX 300—they do a very detailed report based on, as I said, the environmental, social and governance issues associated with those companies. So there is a long narrative that actually goes through all of the information that is in the public domain about each of these companies, and then they have a methodology that then ranks the risks and how each of these companies responds to those risks across that and then ultimately places the company on a scale from A to E, with A being one of the most outstanding performances and E the least outstanding performances.

**Senator RHIANNON:** Is it fair to say that they do not actually make recommendations but assemble the data based on various objective criteria, and then you judge it as you wish?

**Prof. Young:** That is correct.

**Senator RHIANNON:** And the companies are contacted as part of that process—I think you said that?

**Prof. Young:** That is how I understand it, yes.

**Senator RHIANNON:** Have you been approached by any of the companies from which ANU has decided to divest about their decision? Have they approached you, or have they approached CAER?

**Prof. Young:** I think they have approached both of us. And certainly when companies have approached me I have referred them on to CAER, because that is the appropriate pathway for the university to obtain new information if relevant.

**Senator RHIANNON:** Have you been put under any pressure from any representatives of these companies or any public figures to reverse your decision?

**Prof. Young:** I think you only need to read one of the 10 front-page articles in the *Australian Financial Review* to know that there has certainly been a degree of pressure applied to the university on this matter.

**Senator RHIANNON:** That includes representatives of the company and public figures?

**Prof. Young:** No, I do not think it would be fair for me to say that. I have had discussions with representatives of two of these companies. They believe that the assessments could be changed as a result of additional information, and my understanding is that CAER is engaged in a process with them to look at additional information that they might want to bring to the table.

**Senator RHIANNON:** Which companies were those?

**Prof. Young:** I understand that it is Sandfire and Santos. There may be others, but I am directly aware of those.

**Senator RHIANNON:** What support have you had from the ANU community and the community more generally about your decision? How would you assess that?

**Prof. Young:** Maybe I am naive, but I thought this was a fairly uneventful decision by the university, and I was clearly totally wrong, and the university clearly touched a point that is of very significant interest in the community. I have had about 7,000 emails, 90 per cent of which are supportive of the university. In an email sent to the university's alumni—and our alumni love the university, but generally, I have to say, they do not necessarily respond to emails that the university sends to them—we had more than 700 responses on this issue. Again, 90 per cent of those were positive and supportive of the university. Although I do use Twitter, I cannot say that I am exactly the world's greatest authority on Twitter, but I am told that Tweets associated with this item have reached 18 million people. So I think it is fair to say that there is huge interest in these sorts of things in the community and, as I said, that was unexpected on my path.

**Senator KIM CARR:** Can I take it from the 90 per cent support you have had in terms of the university's position that the level of interest is not generated necessarily by critics of the university?

**Prof. Young:** I think it is actually an interesting reflection on our society at the present time. If you read mainstream media you might form one opinion; if you look at social media you would come to another view. So certainly in direct communication to the university, through email and other avenues, there is actually a lot of support for the university's position. I will say that some of that support is because people think the university has gone further than it has, in a sense. There is an element of people thinking we have divested all fossil fuels, and that is not what we have done. We have taken a very measured response to what I think is a challenging issue that will face all public institutions in the near future.

**Senator KIM CARR:** So, Vice-Chancellor, now that you have corrected the record, we can expect that you will be able to report a substantial number of emails coming the other way!

**Prof. Young:** I am sure you are more skilled in this sort of communication than I, Senator.

**Senator KIM CARR:** I am interested in the number of government ministers that have commented upon the decision of the university. Were you surprised?

**Prof. Young:** Senator, I have a policy of not commenting on comments. I do not think it actually adds to the debate.

**Senator KIM CARR:** But these go to the reputation of the university; surely you have an obligation to defend the reputation of the university?

**Prof. Young:** I believe that what I have done, in the public record, is to actually state what the university has done, and to stand by the position of the university.

**Senator KIM CARR:** So it is not a stupid decision.

**Prof. Young:** I have said previously, and I say it again here: the university has taken what I believe is a very measured response to a challenging issue.

**Senator KIM CARR:** Yes, but the Prime Minister described it as a stupid decision. Are you disagreeing with the Prime Minister?

**Prof. Young:** People have a right to their views on a range of things. I do not necessarily agree with all those views, but I think it is a good philosophy not to necessarily comment on comments which I hear in the media.

**Senator KIM CARR:** Can I ask you: given the government's wish to deregulate universities, are you not surprised that there is such a level of interest when you make a decision that the government disagrees with?

**Prof. Young:** Senator, I think you know my views on deregulation, and that these will be things that will be positive for the universities. Even in a deregulated system, I think that the ministers and, indeed, the government will always be interested in the important role universities play in developing our nation.

**Senator KIM CARR:** What about the gas industry? Have they made representations to you?

**Prof. Young:** Only through the companies that I mentioned before.

**Senator KIM CARR:** I see. So you have had no threats made against the university?

**Prof. Young:** No.

**Senator KIM CARR:** And the companies—have you had any threats from any of the companies?

**Prof. Young:** No, I have not.

**Senator KIM CARR:** In terms of the ethical investment policy that you have pursued, you have suggested that that is modelled on Stanford University. Is that correct?

**Prof. Young:** Yes. The basic socially responsible investment policy which we have developed is broadly based on the Stanford model. There are a number of similar models, particularly in US universities, and we have elements of most of those, but generally it is based on the Stanford model.

**Senator KIM CARR:** The universities in the United States have very substantial endowments—Harvard and Yale, for example. How does your endowment compare with those?

**Prof. Young:** Sadly, Senator, we are but minnows in this regard. As I said, the university's total investments are about \$1 billion dollars. Of that, our actual endowment—which we would call an endowment—is about \$280 million. That compares to Stanford's 25 billion and Harvard's 34 billion, I think.

**Senator KIM CARR:** I actually heard that Harvard was about 36 billion.

**Prof. Young:** Ah well, you are making me even more depressed, I am afraid, Senator!

**Senator KIM CARR:** But it does go to the issue of just how small this question is that you have raised. It is a relatively minor investment decision the university has made. What other steps are you taking to grow the endowment fund at the ANU?

**Prof. Young:** Thank you, Senator; you are correct. Although endowment holdings by Australian universities are modest compared to international comparisons, there are great opportunities, I believe, for Australian universities to develop their philanthropy activities. In my time, since I have been vice-chancellor at ANU, we have invested very heavily in developing our alumni and philanthropy group within the university—the people that develop our alumni; that have them remain connected to the university; that steward our donors to develop them in a very positive way. I often say to my colleagues, particularly my members of council, that we are making an investment here that probably none of us will see the return on. It will be for generations to come in the future. But I was really delighted last year when one of our alumni, in Graham Tuckwell, made a \$50 million donation to the university. I think that was a real bellwether moment in Australian university philanthropy. So I see this becoming something which will be more and more important for Australian universities.

**Senator KIM CARR:** In regard to your philanthropic donations and bequests, what action are you taking to increase those?

**Prof. Young:** We have now, as I say, very much professionalised our alumni and philanthropy activity. In fact, we will have a telephone appeal, beginning within the next week I think, at ANU. Of course, telephone appeals do not generate a lot of money; what they do is they actually develop contacts. More and more, a greater and greater part of my time is about building our alumni. For instance, I have just returned from the United States as part of a business trip. As part of that I held dinners in both New York and in San Francisco with our alumni. I visited a number of our alumni who are significant CEOs in the United States. This



is all part of building a network of people who are supportive of our institution and are prepared to help build what is already a great university, but build it into something that will be even finer in the future.

**Senator KIM CARR:** There was an advertisement placed in the local newspapers, and also I understand in *The Financial Review*, in which it suggested that for politicians to try to bully, coerce and influence this university it is just outrageous. They were certainly the views expressed by Dr Hewson. Do you agree with that assessment?

**Prof. Young:** As I indicated before, I tend not to comment on these sorts of things. As I have also said to you, I do not believe the university has been bullied in this process. I am concerned that some elements of the media have applied pressure to the institution, but I have broad shoulders in this regard.

**Senator RUSTON:** I have here a copy of an article that you co-wrote with Gareth Evans, your Chancellor and former Labor cabinet minister. It was in *The Australian* this year—and I do not know whether members of the committee wish me to table it.

**CHAIR:** That would be helpful.

**Senator RUSTON:** You are on the record as supporting deregulation.

**Prof. Young:** That is correct.

**Senator RUSTON:** There are a couple of comments that you made in this article that I thought were particularly interesting. For the uninformed like myself, could you give us a couple of minutes expansion? You make a comment in here: 'For us', and you are referring to the current system of funding, 'volume wins over innovation and excellence.' Could you put that in context in terms of what that means for your university and what you think that means for the future of quality education results for our tertiary students into the future?

**Prof. Young:** One of the real challenges that I face at ANU is that we are a relatively small university. By Group of Eight standards, I am the smallest with about 15,000 full-time equivalent students compared to the University of Melbourne, which must be close to 40,000. Monash is probably over 60,000 now. It is not surprising that Australia's Group of Eight universities are mostly 40,000 and above because the business model to actually make a research intensive university work today is to enrol a very large number of undergraduate students and essentially to use the cash flow out of that to fund the operations of the university. If you are a small institution like ANU in a city like Canberra, which does not have a large population base, it is very difficult to build that sort of education base. That disadvantages us under that business model.

The business model is flawed. There can be no sensible person who would think that the only way you can run a university is by getting bigger and bigger and bigger. If you were setting out to build a fine teaching university, would you do it with 40,000 students? If you were setting out to build a fine research university, would you do it with 40,000 students? I think not. We have actually got a model which is not sustainable going forward, and as I have said, it is volume that wins out. You are on a treadmill where you simply need to run faster and faster to enrol more and more students because the cost of those students is essentially constrained. The only way you can increase cash flow into the institution is to enrol more students, so I am deeply concerned that in fact if we just continue down a path like that eventually what will happen is simply the quality of the education that we provide to all of

those students will decline. That would be a tragedy for all of our universities and it would be a tragedy for Australia.

**Senator RUSTON:** So in a sense what you are saying is that unless we can actually get a different model into the system, we run the real risk in Australia of the quality of our tertiary education becoming second-rate. We mentioned earlier on about the funding that sat behind universities like Harvard and Yale. Am I correct in saying that unless we find a different funding model we are just going to become so distanced from the capacity of an organisation like Yale that we will not have the kind of education results that we have prided ourselves on in the past?

**Prof. Young:** First of all, I have to say that being able to emulate Harvard, Stanford or Yale is quite a way from us.

**Senator RUSTON:** We can still aspire.

**Prof. Young:** We can certainly aspire, but it is something pretty impressive. Having said that, my great concern is that we are being overtaken by the National University of Singapore, Tsinghua and Peking universities—institutions that are rising and passing our institutions now. These are challenging issues—and it is not just a view that I have come to or that my Chancellor, Gareth Evans, has come to. We are in a unique situation here where, probably for the first time that I can remember, almost every university in the country has come to this same conclusion. In a sense it is a pragmatic outcome. We have looked at the challenges that governments have faced in funding an ever-expanding higher education system and, despite the best intentions of governments of both political persuasions, I come to the conclusion that, particularly when we are entering constrained fiscal times, a deregulated system is probably the only way that I can easily see for Australia not only to maintain the quality of the system we have now, but also to build it into the future.

**Senator LEYONHJELM:** Can I ask the minister, Senator Payne: do you consider the university's decision to have been a significant decision?

**Senator Payne:** I think the minister I am representing has said that, whilst we might not necessarily agree with the university's decision, it is theirs to make.

**Senator LEYONHJELM:** It is just that if it is a significant decision the minister should have been informed. That was the point of the question.

**Senator Payne:** I do not think under any circumstances the minister sees the Australian National University as failing to report adequately. I think he is very comfortable with that.

**Senator LEYONHJELM:** Professor Young, is the university aware that one of the three people who prepared the March 2014 report on climate proofing with Howard Pender of CAER was Tom Swann, an ANU student and spokesman for the Fossil Fuel Free ANU student group?

**Prof. Young:** I have been informed of that.

**Senator LEYONHJELM:** Is the university aware of another connection between CAER and Tom Swann via the Australia Institute, which employs Tom Swann as a research assistant and which is co-located with CAER?

**Prof. Young:** I am also aware of that. I can join the dots up and see where you are going here: I think you are perhaps suggesting that the reports are not entirely unbiased in their

assessment. If in fact the reports actually damned all mineral extraction industries, or indeed all fossil fuel companies, one might come to that conclusion, but that is not the case.

As I said, there are companies which ANU continues to hold and which have been assessed by CAER—major Australian resource companies which include within their portfolios fossil fuels and which have been very highly assessed by this company. I think that the company does indeed do a very broad assessment. The other element that is quite important—and I think in a sense takes away some of the concerns that you have—is that the assessments by the company actually go to the UK parent. I call it 'parent', but is actually a UK partner; it is a separate organisation which has 30 years' experience in this area and which does the independent quality control on the CAER reports. In addition to that there is a separate accrediting body for these environmental assessment organisations that every three years carries out an independent audit of the processes. I think there is quite a lot of process around the independence of the assessments that occur. Of course, this sort of background was all part of the due diligence that the university did before it engaged what I think is a very reputable company in this area.

**Senator LEYONHJELM:** That may be true, Professor, but you were quoted as saying on ABC television:

... Santos is an oil and gas company and therefore must automatically "perform poorly on environmental criteria".

Is that an accurate quotation?

**Prof. Young:** No, it is not actually. I have the quotation in front of me. What I said was:

A company like Santos, for instance, is essentially an oil and gas producer, and so, it may in fact be a very responsible company in terms of a whole range of things that it does, and I'm sure it is. But because it is primarily an oil and gas-producing company, then it will perform poorly on the environmental criteria because it's a major source of CO<sub>2</sub> emissions, which, as we all know, has a significant impact on climate.

So that is the reality of what happens. If you are actually going to look at a company, at what it does and at the impact it actually has on the environment, a company that produces fossil fuel gases will perform poorly on that. That does not mean it damns the company by any means, because what the assessment then does is actually look at what other things that company does. What are its environmental policies? How does it act to improve society as well? It is a broad range of these things. As a result of that there are in fact many resource, oil, gas and coal companies on the ASX 300 that come out quite well on this assessment.

**Senator CANAVAN:** Professor Young, is it your position or the ANU's position that gas has no role in helping Australia adjust to a lower carbon emissions economy?

**Prof. Young:** I do not think the ANU actually has a view on that. The comment I have made previously is that I believe the world will gradually move to lower and lower reliance on fossil fuels.

**Senator CANAVAN:** But the former government's modelling on the carbon tax showed that in the interim at least we would need to rely substantially on gas, so divesting investments in gas companies hurts that transition, don't you think?

**Prof. Young:** So I think we are as one. In fact, that is what I have written publicly. This is why the ANU has not divested itself of all of its fossil fuels. This is where I think there is a

misunderstanding. I have said repeatedly now that I absolutely believe that our society will be dependent on fossil fuels for decades to come. That is why it would not be a responsible thing for the university to simply in a blanket decision say we will divest all fossil fuels, as, for instance, the Anglican Church and the Uniting Church have done in Australia. That would not be a practical thing to do and indeed it would not discharge the fiduciary responsibility that officers of the university have.

**Senator CANAVAN:** So what in particular about Santos was wrong then if it was not just because it produces gas? What was wrong with Santos?

**Prof. Young:** As I explained earlier, we actually assessed each of the companies in our portfolio against their environmental, their social and their governance issues.

**Senator CANAVAN:** So you cannot tell me specifically—

**Prof. Young:** There are many elements of that. It is not one thing. I think more than 60 different criteria are used in coming up with that assessment.

**Senator LEYONHJELM:** Sirius Resources is another company from which the university is divested. Are you aware that Sirius Resources are involved in nickel mining?

**Prof. Young:** I believe that is the case.

**Senator LEYONHJELM:** And nickel is used in batteries to store renewable energy?

**Prof. Young:** I believe that is that case.

**Senator LEYONHJELM:** Nonetheless you felt that was an unsuitable company for the ANU to invest in?

**Prof. Young:** I think that you are again conflating this with a very narrow view about the environment. In fact, the assessment goes to a whole host of issues. It looks at, if you are a miner, the fact that you are mining in a particular area, the impacts on the biodiversity in the area, the governance issues associated with the company and its role in Indigenous affairs. It is a very broad sweep of things and to simply say that a company does A or B I think is a gross simplification of what is quite sophisticated.

#### **Proceedings suspended from 15:45 to 16:00**

**Senator LEYONHJELM:** Further to my question about Sirius Resources being disinvested from, notwithstanding the fact that it is involved in nickel mining which is used in renewable batteries, the *Financial Review* has reported that among the eight universities with published emission levels for 2012-13, ANU was fourth highest, responsible for 101,000 tonnes of carbon dioxide equivalent in greenhouse gasses. The *AFR* reports that given the ANU's small size this means that its emissions are three times the level of other leading universities per student. Is this analysis accurate?

**Prof. Young:** Unfortunately it is not accurate. Let me explain why it is not accurate. The first thing which is unfortunately misleading in that report is that essentially the assessment has been made by taking the total emissions and dividing it by the number of students. As I explained earlier, ANU has a very small student base and a very large research base. So in a sense it is somewhat meaningless to divide by the number of students. If you divided by the number of staff or per square meters of the university you would get an answer for ANU which is still higher than some of our other universities, but let me explain why that is the case. There are a number of reasons.

The first reason is that one of the great strengths of ANU is that a very large proportion of our students live on campus. This is very unusual for Australian universities and one of the defining features of ANU. But what it means is that when five o'clock comes at other universities and the lights are turned off and everyone goes home, at ANU the lights are turned off in some parts and the students go back to their residences and turn lights back on again, and also have hot showers. So there is a very large residential component. The other element which is very important to understand is the important national role of ANU, and this means it has a number of pieces of unique infrastructure. We house the National Computational Infrastructure, Australia's largest supercomputer—a partnership between ANU, the Bureau of Meteorology, CSIRO and Geoscience Australia. It is in fact Australia's major climate research machine. It takes up to 20 per cent of the total ANU electricity bill to cool that massive supercomputer. As well, we have very large plant sciences activity on the ANU campus, where we have major greenhouses that need to be powered 24 hours a day, and ANU's major medical research facilities are on campus, whereas at many other universities they are in medical research institutes outside the campus.

So ANU can indeed do much better in terms of its environmental performance and we have a number of very positive things in place to do that. In interpreting those greenhouse gas numbers one needs to be cognisant of the fact that ANU is a very different institution in its student base and indeed its research infrastructure to any other university in Australia.

**Senator LEYONHJELM:** So the supercomputer is a key element in that result. Does the use of the supercomputer for environmental studies, which is what you referred to, justify its continued operation, notwithstanding the associated emissions?

**Prof. Young:** I have repeatedly said that the world today is dependent on fossil fuels. We will continue to be dependent on fossil fuels for decades to come. I have never, for instance—although I do ride a bike—advocated that I should stop driving my car. These start to become rather meaningless discussions.

**Senator LEYONHJELM:** I will tell you why it is meaningful. My question then is if the end justifies the means with regard to the ANU's supercomputer—in other words, its environmental studies justify the significant greenhouse gas emissions that arise from its operation—why does the contribution to renewable energy made by Sirius Resources not justify their environmental footprint, to the extent that you even disinvest in them?

**Prof. Young:** I have repeatedly said that this is essentially an investment decision which the university has made, looking at the risks associated with each and every one of these companies. The university has not gone out there to make a statement about climate in any way at all. As I have repeatedly said, we have assessed the companies against a range of criteria. On those criteria, if companies do positive things in terms of the environment that will be reflected. If they have issues around social matters, that will also be reflected. It is a balance of each of those criteria. It is important for the university to be able to consider this because, as a long-term investor, we want to be able to invest in companies which are stable into the future, that will not have social issues associated with them, that will be well rounded companies. We are taking a very prudent decision about the investment portfolio of the university. We are not making statements about climate here, although I personally have said that I think climate and climate change are significant issues that everyone in the world should be concerned about and should be trying to respond in a very positive way too.

**Senator KIM CARR:** Professor Young, what is your personal area of research?

**Prof. Young:** I am originally an engineer but these days I am a physical oceanographer. I study the physics of the ocean, particularly ocean waves and particularly extreme ocean waves under extreme meteorological conditions.

**Senator KIM CARR:** Do you work in the oil and gas industry?

**Prof. Young:** Yes, I have in the past. I have in the past been a consultant probably to most offshore oil and gas producers in Australia. I currently hold two ARC discovery grants. I have previously held an ARC linkage grant in which the industry partner was not an oil and gas company but was a supplier to oil and gas companies.

**Senator KIM CARR:** I raise this in the context of the suggestion that somehow or other there is an environmental crusade under way and that the university is hostile to the oil and gas industry. You say you currently have ARC grants. What are they in?

**Prof. Young:** The two ARC grants that I currently have—

**Senator KIM CARR:** Are you the lead researcher?

**Prof. Young:** I am lead researcher in one and I am the second CI in the other. One of them is about developing new computer models for prediction of global ocean waves, and the second one is looking at developing new techniques for using orbiting satellites to obtain global information on oceanic waves and oceanic winds.

**Senator KIM CARR:** Is this of interest to the oil and gas industry?

**Prof. Young:** It is indeed. What I often have done in the past is provide environmental design criteria for the offshore oil and gas industry. I have had a very extensive role not so much these days, I do not have a lot of time, but previously I have been very active for instance in setting environmental design criteria for the North West Shelf developments in Australia.

**Senator KIM CARR:** It does interest me how a vice-chancellor has the time to be a lead researcher—but that is another matter entirely.

**Prof. Young:** I wonder myself, sometimes.

**Senator KIM CARR:** Given your view about Australia falling behind national universities—I think you said Singapore and some Chinese universities—why are those universities growing in terms of their research effort? What factor would you put that down to?

**Prof. Young:** I do not think anyone would doubt that both in Singapore and in China governments have made massive investments in a limited number of universities. I have also advocated in Australia for research concentration. I think that Australia, for a whole range of the reasons, finds those sorts of things difficult to do. Certainly I think countries that have bitten the bullet, in a sense, and looked for research concentration have been able to make that pay off.

**Senator KIM CARR:** So it is not through deregulation, it is through government investment?

**Prof. Young:** I think you need to have different funding models for different political climates.

**Senator KIM CARR:** The Chinese are doubling their R&D effort every eight years, is that right?

**Prof. Young:** I would not be surprised by that number, but I do not know the number.

**Senator KIM CARR:** Are the Singaporean government investing heavily in their universities?

**Prof. Young:** They are indeed.

**Senator KIM CARR:** So the issue is not private investment; it is public investment.

**Prof. Young:** That is correct. You are a politician and I am not, but my observation—

**Senator KIM CARR:** We can tell by your answers!

**Senator Payne:** That is a compliment, Professor.

**Prof. Young:** My observation is that the Australian public does not have an appetite for more taxpayer money going into these things at the present time.

**Senator KIM CARR:** How do you know that? You run the Crawford school; how do you know that?

**Prof. Young:** I know it because, when I look at the behaviour of governments over two decades now—

**Senator KIM CARR:** That is a different question. You said the public does not have an appetite for increased public investment in education, and I am wondering: what possible evidence would you have thought for that?

**Prof. Young:** Maybe I am wrong, but my observation—

**Senator KIM CARR:** Maybe!

**Prof. Young:** is that governments actually respond ultimately to the views of the voters.

**Senator KIM CARR:** The truth is that governments say one thing before elections and another after, as we saw with this government. Isn't that closer to the truth?

**Senator Payne:** You would know about that, Senator.

**Senator KIM CARR:** It is not that the public does not want to see increased public investment in education.

**Prof. Young:** That is speculation and I am really not equipped to respond to that.

**Senator KIM CARR:** Of course, you are not a politician, I know. Thank you very much.

**CHAIR:** Senator Carr, the vice-chancellor was trying to answer your question.

**Senator KIM CARR:** I think he has answered the question.

**CHAIR:** It would be courteous if you would actually allow him the time and space to do that. Have you finished?

**Senator KIM CARR:** Yes.

**Senator LEYONHJELM:** Getting back to the ethical investment advice that you received from CAER, on what basis was CAER preferred over the other possible advisers? Was there a competitive tender?

**Prof. Young:** No, there was no competitive tender and, for a contract of this size, the university would not go to competitive tender. The process we used was to do an in-house assessment of the credentials of the three entities that our investment office considered.

**Senator LEYONHJELM:** And there was no influence by Fossil Free ANU?

**Prof. Young:** None at all. I would not be engaged and was not engaged in this in any way at all.

**Senator LEYONHJELM:** Did Tom Swann lobby the university council to engage with CAER?

**Prof. Young:** No.

**Senator LEYONHJELM:** Has the university previously divested from Metgasco, a CSG company, following requests from Fossil Free ANU?

**Prof. Young:** Yes. Eighteen months ago, the university made a decision to divest from Metgasco. Can I say it was one of the best financial decisions the university has ever made. I only wished we sold our shares 12 months earlier.

**Senator LEYONHJELM:** Was it done for financial reasons or for the same reasons as the most recent divestment?

**Prof. Young:** It was done in the end for financial reasons because it was obvious that the environmental challenges the company had before it meant that it was an extremely poor investment risk for the university. Indeed, what has transpired since has shown, I think, the wisdom of the university's investment portfolio and team in advising that we should divest.

**Senator LEYONHJELM:** The university said it will outsource management of domestic equities using an enhanced index consistent with socially responsible investing. Is that right?

**Prof. Young:** That is correct.

**Senator LEYONHJELM:** How will the university ensure that, while divesting from the seven companies, it does not indirectly invest in these companies through its new outsourced management of domestic equity holdings?

**Prof. Young:** At the moment, what the university does is actively manage its portfolio in-house. This is a large portfolio now and we believe that we have reached the point where it is appropriate to outsource this to industry experts in the area—it is not that our own team is not expert, but it is a relatively small team and we believe we need greater breadth to manage the portfolio. As yet, the university's investment office and our industry relevant investment advisory committee have not determined the criteria that we would use to select a company that we would outsource our equity investments to.

**Senator LEYONHJELM:** When was the decision to outsource made?

**Prof. Young:** The university has been looking at outsourcing over a period of about five months—my colleague tells me it is nine months, so we have been considering that for quite a period of time now. It has been discussed at length by our investment advisory committee on a number of occasions, also by the university's finance committee. Indeed, the university made that decision at its most recent meeting of council.

**Senator LEYONHJELM:** Is it related to or coincidental to the implementation of the advice of CAER?



**Prof. Young:** My colleague Mr Grange, who is close to this, might like to respond to that question.

**Mr Grange:** Senator, that decision is unrelated. The ANU conducted a full review of its overall investment operations early this year, and one of the areas that has been under active consideration since then is the future of its domestic equities portfolio. The two processes have gone through separate tracks, and CAER is completely uninvolved in that consideration.

**Senator LEYONHJELM:** What were the conflicts of interest that led the Vice-Chancellor and another member of the university council to recuse themselves from discussion of the divestment proposal?

**Prof. Young:** This is essentially the issue which Senator Carr raised. In the past I have been a consultant to the offshore oil and gas industry; I have research interests which overlap particularly with the offshore oil and gas industry. I was concerned that I may be seen to be biased in favour of those industries when the university was developing a socially responsible investment policy. I, therefore, declared my interest—initially, to management, to Mr Grange as executive director of administration and planning—and to the university council, to ensure that my potential conflict was well understood. As a result of that, I took no further part in the development or operationalisation of the policy.

**Senator LEYONHJELM:** Was the other council member Naomi Flutter?

**Prof. Young:** No.

**Senator LEYONHJELM:** My information is that Ms Flutter is a senior manager in Deutsche Bank, and Deutsche Bank has a bi-recommendation for Sandfire Resources and Independence Group. Are you aware of that?

**Prof. Young:** I have no understanding of what Deutsche Bank recommendations are.

**Senator LEYONHJELM:** Ms Flutter is a member of the university council?

**Prof. Young:** That is correct.

**Senator LEYONHJELM:** Sorry, Chair, I have one final question—you cannot trust these new senators.

**CHAIR:** You are fully entitled under the current standing orders to ask any questions you like.

**Senator LEYONHJELM:** I am not sure if it was Harvard you mentioned early—it was universities in the US in relation to their ethical investment policies. What is your understanding of those—especially in relation to Harvard?

**Prof. Young:** Let me give the three biggies. Firstly, Stanford has made the decision, as I understand it, to divest from all coal. That is a blanket decision which Stanford has made; they have gone much further than ANU. I understand that Yale has a very similar position to ANU in the sense that it looks at a broader range of criteria. Indeed, I understand the president there has written an article saying that the university would not divest of fossil fuels—essentially the same position as ANU. So, just like Harvard, ANU has made a decision that it would not divest of all fossil fuels. And, as I have explained on a number of occasions, it has taken a very measured approach to managing its risk and to look at the environmental, social and governance issues associated with every one of the investments that the university makes.

**Senator LEYONHJELM:** My understanding is that Harvard has said that they are an academic rather than a political organisation, and that ethical investment decisions—and I am not here referring specifically to just fossil fuels—threaten academic independence. That is different from your approach, is it?

**Prof. Young:** Essentially what the ANU does is prudently manage the risks associated with a very important investment portfolio.

**Senator LEYONHJELM:** Thank you.

**CHAIR:** You are not the only one. Are you seeking the call, Senator Canavan?

**Senator CANAVAN:** Yes.

**CHAIR:** If you have a question for the witness in front of us, the standing orders allow that you ask.

**Senator CANAVAN:** I apologise for earlier. I was at other committees. Is the CAER report public?

**Prof. Young:** No, it is not.

**Senator CANAVAN:** Do you have any intention of making it public?

**Prof. Young:** No. CAER makes their profit, their living, by essentially selling this to companies right across Australia, and around the world.

**Senator CANAVAN:** Have you supplied that report to some of the seven companies named in the report?

**Prof. Young:** The university has not because we do not have that discretion, but my understanding is that CAER has provided it to every company that has requested it.

**Senator CANAVAN:** Was that before or after the decision was made public?

**Prof. Young:** I believe it was provided after; however, every one of the companies that CAER rates was provided all of the information on a regular basis, and they have an opportunity to respond and correct any information which they believe is lacking.

**Senator CANAVAN:** Are those ratings directly what you used to make your decisions?

**Prof. Young:** Yes, we used the ratings provided to us, including the narratives that go with those, from the company.

**Senator CANAVAN:** I understand that it is not your report, but could you take on notice whether or not CAER would be willing to provide that report to this committee?

**Prof. Young:** We can take that on notice, yes.

**Senator CANAVAN:** Thank you.

**CHAIR:** As there are no further questions for ANU, I thank the witnesses.

[16:22]

**CHAIR:** We now move to outcome 1. Senator Lines will begin.

**Senator LINES:** Thank you. I want to ask—

**Senator Payne:** Madam Chair, can we wait until the officers are able to come to the table, please?

**CHAIR:** Sure.