



Embargoed until Thursday 24 November 2016

MEDIA RELEASE: New Responsible Investment Benchmarking of Largest 50 Superfunds launched

A new superfund benchmarking report launched at RIAA's Responsible Investment Conference in Melbourne today has found that over two-thirds of the largest superfunds in Australia now have embedded a commitment to responsible investment, highlighting just how deeply the move to invest with a responsible approach has become a part of Australian investment markets.

The inaugural *Superfund Responsible Investment Benchmarking Report* (the Report) involved a detailed assessment and survey of the largest 50 superfunds¹ in Australia - a universe that accounts for around \$1.3 trillion of assets under management.

The Report finds that the vast majority of funds (86%) now have in place some form of responsible investment approach – from ESG integration, screening, corporate engagement or sustainability themed investing - across at least one asset class.

However, when drilling down, findings show that far fewer superfunds are able to demonstrate comprehensive measures to ensuring commitments are implemented across the funds' investments, with only a third of superfunds having responsible investment requirements embedded in investment management agreements with their external fund managers.

The research undertook a detailed assessment of responsible investment approaches at a time of unprecedented interest in the way the industry is managing retirement savings in consideration of environmental, social, governance and ethical issues.

"This Report provides a window into the rapid emergence of more sophisticated responsible investment approaches being rolled out by Australia's largest superfunds. Although not yet universally taken up, the research provides an insight into the strategies and approaches taken to embed environmental, social and governance (ESG) and ethical considerations into investments." said RIAA CEO Simon O'Connor.

"This matters because the overwhelming weight of evidence² shows us that to ignore these issues risks ignoring factors that are impacting investment outcomes. As fiduciaries, it has never been more critical to ensure strong responsible investment strategies are embedded in superfunds to underpin stronger investment outcomes, whilst better aligning with the expectations of members and beneficiaries."

Amundi Asset Management Australia Ltd supported RIAA in the delivery of this research. CEO Brian Scott said that "The UN Principals for Responsible Investment initiative was launched in 2006. Australian signatories manage the majority of our Institutional Assets under management. It was time for a survey of Australia's leading Institutional Investors to measure and effectively benchmark the

¹ The 50 superfunds included in this research included the largest APRA regulated superfunds by AUM, plus significant asset owners as well RIAA member superfunds who have selected to opt in (this latter category includes one NZ fund, the New Zealand Super Fund). Full list of funds in Appendix of report.

² See for example: RIAA (2016), *Responsible Investment Benchmark Report 2016*. See also: Deutsche Asset and Wealth Management (2015), *ESG and Corporate Financial Performance: mapping the global landscape*; Oxford University and Arabesque Partners (2015), *From the Stockholder to the Stakeholder*; Kotsantonis, Sakis, Christopher Pinney, and George Serafeim (Harvard Business School) *ESG Integration in Investment Management: Myths and Realities*, *Journal of Applied Corporate Finance* 28, no. 2 (Spring 2016): 10–16.

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progress that has been made over this decade. As a global leader in responsible investing, Amundi welcomed the opportunity to be involved in this great initiative."

Much of the public discussion remains steadfastly focused on divestment and this research found that exclusions are ever more frequently used – with a third of funds (17 funds) having in place ‘whole of fund’ exclusions, with tobacco being the most common – yet this is often coupled with a broad range of other approaches to responsible investing highlighting that divestment is but one approach being utilised by superfunds.

There is an ever stronger focus on ESG integration and active ownership practices (aiming to influence companies through engagement and voting) as the most cited approaches adopted by funds. Many funds are now using multiple strategies to deliver the best investment outcomes and meet the interests of members, including sustainability-themed investing (17 funds, such as low carbon tilts) as well as impact investing (7 funds).

Transparency is also growing, with 44% of funds (22) disclosing annually on their responsible investment activities. Furthermore, 10% of funds (5) have already implemented full portfolio holdings disclosure, with 60% disclosing voting records and 20% reporting on their corporate engagement activities.

From this research, 12 funds stood out as demonstrating a comprehensive approach to responsible investing across five assessment pillars of commitment, governance, implementation, measurement and transparency. Those funds were:

- Australian Ethical Super
- AustralianSuper
- Cbus
- Christian Super
- First State Super
- HESTA
- Local Government Super
- Mercer Super Trust
- New Zealand Super Fund
- UniSuper
- VicSuper
- Vision Super

Responsible Returns Webtool Launched:

Also launched at the RIAA conference was RIAA’s Responsible Returns webtool – www.responsiblereturns.com.au - a new tool to connect consumers to investments that match their interests and values.

In an effort to channel the significant demand for responsible and ethical investments, this tool highlights 100 investment products from across superfunds, managed funds, ETFs, KiwiSaver funds, banking products and financial advisers that have all been certified under RIAA’s Responsible Investment Certification Program.

“RIAA’s Responsible Returns webtool is about building the awareness for consumers and their advisers of the ever greater range of responsible and ethical investment products available” said Simon O’Connor.

“With funds in core responsible investments having doubled over the past two years to \$51 billion,³ we’re seeing serious momentum and demand for clear, trustworthy information around the nature of different products available. We are aiming to provide that information in an easy-to-understand and comparable manner, through our Responsible Returns tool.”

³ RIAA Benchmark Report 2016 – Core responsible investment = screened investments. Grown from \$26 bill at end of 2013 to \$51.5 bill at end 2015.



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The full Report can be found here:

http://responsibleinvestment.org/wp-content/uploads/2016/11/RIA439_Superfund_Report_v6.pdf

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible and ethical investors across Australia and New Zealand. RIAA has 165 members who manage more than \$1 trillion in assets, including super funds, fund managers, consultants, researchers, brokers, impact investors, property managers, community banks, community trusts, religious groups, and financial advisers.

RIAA is hosting its annual Responsible Investment Conference in Melbourne today at the Exhibition and Convention Centre, bringing together 230 delegates from across the region's investment industry. See more on the conference, including full program here:

<http://responsibleinvestment.org/riaa-events/conferences/ri-australia/>

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