Superfund Responsible Investment Benchmark Report 2016

riaa Responsible Investment Association Australasia

Amundi ASSET MANAGEMENT

Executive Summary

Context & background

Responsible Investment (RI) has moved firmly from the margins to the mainstream across Australia and New Zealand, with over half of all professionally managed assets in Australia now operating under responsible investment strategies.

In the last five years, there have been substantial advances in how superfunds are implementing responsible investment strategies, and requiring its implementation by their asset managers. Many Australian superfunds now have in place sophisticated responsible investment strategies that often employ multiple tools across active ownership, screening, ESG integration, impact investment, corporate engagement, voting and sustainability-themed allocations.

At this point in time, when consumers are showing heightened interest in the way their super is being invested, and when evermore superfunds are deepening and refining their responsible investment strategies, we consider it a critical time in the industry's development to start articulating and defining in clearer terms the different strategies and manner by which funds are choosing to do responsible investment.

As such, RIAA has undertaken this inaugural research aimed at constructively articulating the evolution of responsible investment for Australia's largest 50 superfunds[1] with the aim of delivering this research on an annual basis.

1 Research covers 50 asset owners across Australia, based on largest APRA regulated superfunds, plus significant asset owners, as well as RIAA member funds who have selected to opt in.

This Superfund Responsible Investment Benchmark Report is aimed at both sharing industry leading practices across different responsible investment approaches, and better informing consumers as to the varied approaches now being undertaken by funds, but often not well understood.

The RI Landscape for Australian Superfunds

Australian superfunds have a great depth and breadth of approaches when it comes to responsible investment (RI). While some funds are moving slowly on the journey towards RI, other funds have a considered RI investment philosophy and have committed to specific and purposeful strategies and approaches.

This report has undertaken analysis drawn from examining the practices of funds across a five pillar Framework - covering Governance & Accountability; RI Commitment; RI Implementation; Measurement & Outcomes; and Transparency & Responsiveness.

Together, the Five Pillars of the Framework describe the elements of good governance for RI by superfunds. Like those used in other sectors, the Framework put simply is a management system that helps articulate commitment and the process that supports its implementation, through measurement, reporting and review.

The Framework is agnostic to the style of RI undertaken by the superfund and invites funds to describe their own way of doing RI, using the different approaches, appropriate to different styles of funds with different beneficiaries.

KEY FINDINGS

RI commitments, governance and accountabilities are embedded and articulated by the majority of the superfund industry:

FINDING 1: This research found that a clear majority of funds had some form of RI commitment (e.g. policy, aspirational RI statement) disclosed and available on their website (70%). A smaller majority referenced RI in their vision, mission or investment beliefs and disclosed RI accountability at Board-level (56%).

Encouragingly, 68% of funds clearly identified key stakeholders as playing a role in informing their investment beliefs.

Implementation of RI takes a broad array of approaches across funds, with many often using multiple approaches guided by investment beliefs, RI commitment and an understanding of beneficiaries:

FINDING 2: ESG Integration and Active Ownership were the most cited RI approaches adopted by funds, followed by Negative/Exclusionary Screening and Sustainability-themed Investing. Positive/Best-in-class screening and Impact/Community Investing were the least adopted RI approaches in the sample.

Of the 50 funds, 43 (86%) are committed to an RI approach across at least one asset class.

With Negative/Exclusionary Screening the third most cited RI approach, it was evident that whole-of-fund exclusions are emerging as a more popular approach for funds – 17 funds (34%) reported fund-wide exclusions with tobacco the most common, followed by armaments/controversial weapons.

Seventeen funds (34%) indicated use of Sustainability-themed Investing and it was most frequently cited in application to private equity, property, infrastructure and commodities. Low-carbon tilts were the most common theme.

A handful of funds (10%) cited Positive/Best-in-class Screening as either a primary or secondary RI approach with screening based on International Norms generally being cited.

Seven funds (14%) indicated use of Impact/Community Investing as an RI approach. Although a relatively small part of the sample, this RI approach is receiving growing attention from funds with a number actively exploring possible approaches to allocating capital to impact investments.

FINDING 3: Almost half of the largest 50 funds have in place dedicated RI options. Twenty-four funds offered a total of 54 dedicated RI investment options and eight funds had their RI investment option/s certified by RIAA. The most common exclusions offered across the RI investment options were tobacco and uranium.

FINDING 4: Of the 37 funds that committed to ESG Integration as a preferred RI approach, 18 funds (56%) were able to identify processes to ensure that ESG information used for investment decisions was of a reliable quality. This assurance was sought in a variety of ways, however the three most common methods included a requirement for external managers to provide quality ESG information, the use of an ESG database, or sourcing comprehensive ESG research.

Implementation of RI is becoming more formally embedded into processes: 17 funds (34%) indicated that responsibility for RI implementation is incorporated into investment management agreements (IMAs) with a range of RI performance considerations built into these IMAs.

Beyond simply having RI policies in place, funds also demonstrated their RI commitment in a number of other ways. For example, Twenty-nine funds (58%) collectively identified as members of 30 different collaborative initiatives.

Furthermore, twenty-six funds (52%) indicated they have some level of involvement in corporate engagements.

Measurement of outcomes is challenging but emerging as a key area for funds:

FINDING 5: Research found that funds are starting to explore approaches to measuring and reporting on outcomes of the RI investment process. Seven funds (14%) can clearly define how RI outcomes are measured and recorded and made this an explicit aim in their RI policies and strategies. For some, the measures focused on portfolio impact (i.e. portfolio carbon reporting), for others, specific methodologies were developed to measure the alignment of investment outcomes alongside a fund's RI strategy objectives.

A total of 14 funds disclosed that portfolio carbon emissions were measured against a benchmark with targets assessed each year.

Nineteen funds (38%) indicate a formal internal review to ensure that RI policy is in alignment with the fund's overall RI objectives and investment beliefs. This type of review, whilst not definitive, is considered an important part of the ongoing awareness and high-level assessment by a fund of whether or not RI approaches are achieving their intended purposes.

Transparency through reporting and disclosure is an increasingly important area for funds:

FINDING 6: Twenty-two funds (44%) disclose annually on their RI activities, and of these 15 (30%) report on RI, via a segment of their annual report. Two funds provided a comprehensive dedicated report on responsible investing, and four had some involvement in the development of Integrated Reporting (two funds having published integrated reports in 2016).

Voting records were disclosed by 30 funds (60%) to varying degrees with one fund providing voting disclosure before voting had occurred which appears to be an emerging practice for voting disclosure in other jurisdictions. Only 10 funds (20%) reported publicly on engagements, and a further two funds (4%) disclosed reporting on service provider engagements.

Disclosure of portfolio holdings and external fund managers was noted consistently across all funds with an RI focus. Five funds (10%) provided full disclosure of all portfolio holdings, whilst 16 funds (32%) disclosed at least the largest 20 holdings across most asset classes. Thirty funds (60%) provided disclosure of all external fund managers.

OVERALL FINDINGS

Fifty funds were assessed as part of this research, across industry, retail, public/non-regulated and corporate funds, with a response rate of 40%. Across the Five Pillars of the assessment Framework, a scale was developed – limited, basic, broad and comprehensive - to better articulate the components of comprehensive practice of RI for superfunds.

In addition to the findings set out above, the assessment process led to RIAA concluding that of these 50 funds, 12 were able to articulate and demonstrate a comprehensive RI approach across the Five Pillars. These 12 funds disclosed RI data that scaled as "comprehensive" on at least 4 out of 5 of the pillars in order to gain the final overall scaling of "comprehensive" in 2016.

The 12 funds are listed below.

Fund Name	Fund Category
Australian Ethical Super	Retail
AustralianSuper	Industry
Cbus	Industry
Christian Super	Retail
First State Super	Public Sector
HESTA	Industry
Local Government Super	Public Sector
Mercer Super Trust	Retail
NZ Super Fund	Public Sector
UniSuper	Industry
VicSuper	Public Sector
Vision Super	Public Sector

* As categorised by APRA

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Acknowledgements

RIAA heartily thanks Amundi Asset Management Australia Limited AFSL : 325953 for their support which has resourced this RIAA research project.

RIAA would also like to thank its member superfunds who kindly and vigorously offered up their opinions and feedback to help us shape up this research. We are committed to continuing to build on this further with their guidance in 2017 and 2018.

We acknowledge the fine work of the VBDO off which we have based much of our assessment framework. We are deeply appreciative of the funds who responded to our information request, contributed data and information and provided feedback to RIAA that provided the basis for this research and report.

This report has been researched and authored by a team at RIAA including Nicolette Boele, Nithya Iyer and Simon O'Connor.

About this report

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible and ethical investors across Australia and New Zealand. RIAA is an active network of over 165 members managing more than $1 trillion in assets, including superannuation funds, fund managers, consultants, researchers, brokers, impact investors, property managers, banks, community trusts and financial advisers.

RIAA's goal is to see more capital being invested more responsibly. RIAA works to shift more capital into sustainable assets and enterprises and shape responsible financial markets to underpin strong investment returns and a healthier economy, society and environment.

We are witnessing a strong take up by superfunds and other large asset owners of a responsible approach to managing retirement savings largely driven by two factors:

- *An ever-greater acceptance that environmental, social and corporate governance (ESG) factors are critical to consider as part of investment practice as they are increasingly impacting upon valuations and investment returns*[2]*; and*
- *A growing interest by Australians in whether their retirement savings are being invested in a responsible manner, with recent surging consumer interest around issues and themes relating to social, environmental, sustainability and ethical issues.*

2 See for example: 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.

As the peak industry body and within this context of an explosion of approaches to responsible investing (RI), RIAA sees the importance of providing more clarity and definition around the constituent parts of a comprehensive responsible investing by superfunds. Accordingly, by way of this project, RIAA aims to map the broad array of RI approaches adopted by the Australian superfund industry and to show how this is evolving over time. From this information, we hope to discover and promote leading practices, so that both the industry and consumers can gain insights to the many and varied approaches to responsible investment.

The aim of the Superfund RI Benchmark research is for:

- *superfunds themselves to better understand the practical components of leading practice in responsible investment; and*
- *consumers to understand the broad array of approaches and strategies in place and to assist with their informed decision making in superannuation.*

Over the course of July to November 2016, RIAA undertook this inaugural research on what is to be an annual Superfund Responsible Investment Benchmark Report; a longitudinal research project aimed at constructively articulating the evolution of responsible investment for Australia's largest superfunds with the aim of highlighting the leading practices in the market.

The research methodology and assessment framework was modelled from similar initiatives globally, specifically the Dutch responsible investment pension fund survey issued annually since 2006 by Dutch Sustainable Investment Organisation (VBDO). For consistency across global definitions of responsible investment practice, the language and assessment approach was reviewed and aligned in parts to other global frameworks including the

PRI Reporting Framework 2016 Overview and Guidance and the Global Sustainable Investment Alliance set of responsible investing approach definitions (see Figure A). The assessment framework was then further refined in consultation with RIAA superfund members. The result was RIAA's framework of good RI governance (the Framework) and comprises five pillars.

The Framework's Five Pillars:

1. **Governance and Accountability** – board-level buy-in to RI supported by formal accountability processes
2. **Responsible Investment Commitment** – extent and breath of RI approach and coverage aligned with investment and RI beliefs; involvement in industry collaborations
3. **Responsible Investment Implementation** – widely used quality systems for delivering RI consistent with commitments and RI approaches
4. **Measurement and Outcomes** – systems and metrics to track and manage performance internally and externally; ways for measuring success
5. **Transparency and Responsiveness** – disclosures that build member confidence and broader stakeholder trust in the fund's governance.

Together, the Five Pillars of the Framework describe the elements of good governance for RI by superfunds and if used well, guide superfunds on how to comprehensively and effectively implement RI strategies consistent with their investment beliefs. Like those used in other sectors, the Framework put simply is a management system that helps articulate commitment and the process that supports its implementation, through measurement, reporting and review.

The Framework is agnostic to the style of RI undertaken by the superfund and invites funds to describe their own way of doing RI, guided along the Five Pillars of good governance. This is key to the value of this Framework; it allows Australian superfunds to reflect the many different approaches, appropriate to different styles of funds with different beneficiaries.

The data used in this project was from desktop research of each of the superfund's public information as well as data elicited via an information request to the 50 funds. The purpose of seeking additional input from funds was to both verify fund data sourced by RIAA in the desktop research and to enhance RIAA's understanding of how the fund implements RI throughout their fund. RIAA was especially keen to ensure that it collected information relating more to the quality of implementation of RI by way of evidence of how it's integrated across the fund, rather than just proxies for this in published statements or formal policies.

In assessing each of the 50 funds on their RI disclosures against the Framework, a scaling system was adopted and applied. The scale (limited, basic, broad, comprehensive) describes the RI data quality in disclosures for which RIAA considered all fund data for each aspect of the Five Pillars. The data was then categorised into these four points on the scale for each fund.

To meet the research objectives, for this inaugural report, RIAA has published the names of the funds whose RI disclosures present as "comprehensive" in their approach to RI within the Australian superfund context – that is, those funds where the RI data in their disclosures were scaled as "comprehensive" on at least 4 out of 5 of the pillars in order to gain the final overall scaling of "comprehensive" in 2016. These funds were those who are able to comprehensively describe their own approach to RI and demonstrate the implementation of this approach (see Executive Summary for the list of these funds).

See *Superfund RI Benchmark Report 2016 Additional Appendices* at responsibleinvestment.org for the information requested of participants under each of the RI pillars and for a detailed overview of the project's methodology.

RIAA believes that by delivering this research, we can play an important role in furthering the capacity building of the industry based on highlighting leading practices, across not only superfunds, but also the asset managers and asset consultants that support them. Through working to progress a deeper commitment and implementation of responsible investment, we believe this will underpin the delivery of long term value for members and a more sustainable financial system.

This is research is "work in progress" and we welcome your feedback so that we can continue to refine the method and approach used. Contact info@responsibleinvestment.org to leave us your comments and provide your inputs.

FIGURE A **Global Sustainable Investment Alliance RI approach classifications**

Responsible investing is an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management. To maintain a global standard of classification, this report is aligned with the seven strategies for responsible investment as detailed by the GSIA. These strategies are:

1. **Negative/exclusionary screening:** the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria
2. **Positive/best-in-class screening:** investment in sectors, companies or projects selected for positive ESG performance relative to industry peers
3. **Norms-based screening:** screening of investments against minimum standards of business practice based on international norms
4. **Integration of ESG factors:** the systematic and explicit inclusion by investment managers of environmental, social and governance factors into traditional financial analysis
5. **Sustainability themed investing:** investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture)
6. **Impact/community investing:** targeted investments, typically made in private markets, aimed at solving social or environmental problems, and including community investing, where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose
7. **Corporate engagement and shareholder action:** the use of shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

Source: Global Sustainable Investment Alliance (2014) Global Sustainable Investment Review

Research Universe & Data Assumptions

1. Reporting boundary

This report covers the 2016 financial year being from 1 July 2015 to 30 June 2016. The data sourced from participant's websites may be created outside the period and has been considered in this research. Furthermore, data sourced from RI Transparency Reports published in 2016, primarily cover the Australian financial year period ending on June 30, 2015. Financial figures are in AUD.

2. Sources of data

Data used in the project are from publicly available sources such corporate websites (e.g. policies, guidelines and annual reports); Principles for Responsible Investment (PRI) Transparency reports; RIAA Responsible Investment Certification Assessment Program; and news and media. Data was also collected from superfunds by way of an information request issued during October 2016. RIAA sought to more fully understand internal governance processes related to the implementation, measurement and outcomes of respective responsible investment strategies.

3. Research universe

There are three main inputs to the research universe:

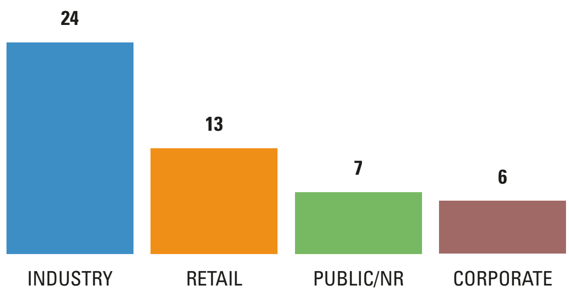
- *Australian Prudential Regulation Authority's (APRA) list of Australia's largest 50 superfunds as regulated and reported by APRA in the latest statistics (February 2016, relating to June 2015 data);*
- *select non-APRA regulated but sizable asset owners such as the Australian Government Future Fund (with $117 billion AUM as at 1 July 2016); and*
- *RIAA member superfunds that fall outside the 50 largest or are not APRA regulated and who have opted in to this research (this includes New Zealand Super Fund, Australian Ethical Super and Christian Super).*

Aware of fund mergers since APRA's 2016 data, RIAA rolled merged funds together (e.g. NAB), creating more space for additional funds to join the largest 50. Additional funds were added based on their published AUM as at June 30, 2015. Also, if superfunds appearing in the largest 50 list had the same Registrable Superannuation Entity (RSE), and we received assurance from that RSE that the overall approach to RI was largely consistent across the separate funds, RIAA rolled up these funds and considered them as one single fund (e.g. Commonwealth Superannuation Corporation includes (1) Public Sector Superannuation Scheme & Accumulation Plan; and (2) Military Superannuation & Benefits Fund No 1). Refer to *Superfund RI Benchmark Report 2016 Additional Appendices* at responsibleinvestment.org for the full Project Methodology.

Twenty (20) out of 50 funds provided responses and/or additional information to this research process, being 40% of the sample.

RIAA wanted to ensure that analysis from the research was provided mindful of each fund's style and operating context. Guided by the categories used by APRA, RIAA placed research participants into four categories: Industry, Retail, Corporate and Public/Non-regulated. Figure 1 shows the split between these across the survey universe.

FIGURE 1 **Survey participant categorisation**



Findings by the RI Framework

The Framework and its Five Pillars – Governance & Accountability; RI Commitment; Implementation; Measurement & Outcomes; and Transparency & Responsiveness - outline elements of good governance for RI by superfunds and as mentioned previously, if used well, guides superfunds on how to comprehensively and effectively implement RI strategies consistent with their investment beliefs.

Based on the data from all 50 superfunds, RIAA built this model to show how RI may fit with a fund's broader investment beliefs and the process that supports its implementation, through measurement, reporting and review. Like those used in other sectors, the Framework put simply is a management system that helps articulate commitment and the process that supports its implementation, through measurement, reporting and review.

This research focused on a review of the largest 50 funds through the lens of this Framework with the intention of highlighting examples of leading practices. The following section of this report sets out our findings against each of the Five Pillars, and cites a selection of strong case studies of RI practices by funds across the sample of 50. The case studies included in this section represent a cross section of examples of how superfunds are putting in practice their commitment to RI.

1. Accountability & Governance

What is Accountability & Governance?

Accountability refers to the demonstration of the understanding of the stakeholders to whom the fund is accountable. Governance provides the structures (processes and delegations) necessary for the strategy to be effectively implemented. A key aspect of governance is the acknowledgement of the role of key stakeholders into the fund's RI strategy vision, mission or investment beliefs.

Research goal: To assess the maturity of an organisation's accountability practices (stakeholder inclusivity and responsiveness; materiality issues) and whether the organisation has suitable governance structures in place to enable their RI strategy to be effectively delivered.

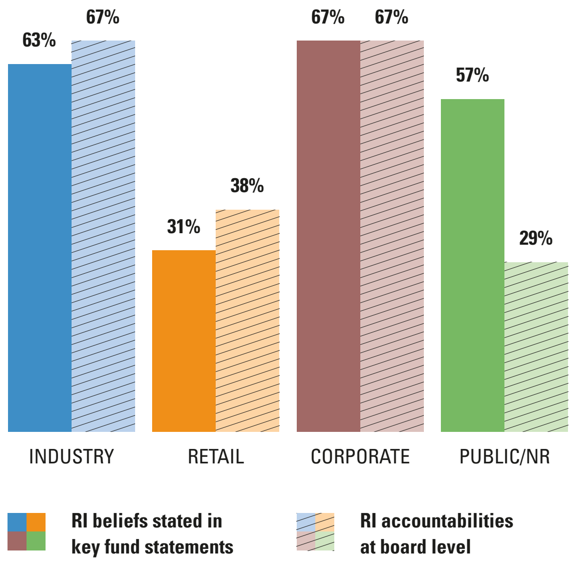
Key aspects used to assess accountability and governance:

- *Has commitment to RI in the overall fund strategy and internal structures in place to drive this.*
- *Has and discloses appropriate responsibilities and accountabilities for RI.*
- *Identifies, engages and considers stakeholders in the development and ongoing review of investment beliefs and RI strategy.*
- *Has incentives in place to perform duties consistent with the RI strategies and to the benefit of key stakeholders.*

How we regard Accountability & Governance disclosures

Limited	No or little reference to RI on fund website or documents No reference to stakeholder interests No RI accountability noted in fund documents or policies
Basic	RI beliefs/perspectives mentioned publicly Limited or no further reference to stakeholder interests No Board level accountabilities
Broad	RI commitment (such as policy) in key fund statements Board-level accountabilities defined Stakeholders referenced Key RI policies, as well as strategies or guidelines disclosed
Comprehensive	RI Policy in key fund statements and public Board-level accountabilities with roles for delivery defined Stakeholder preferences or interests defined Key RI policies disclosed and relationship to fund governance structure clearly articulated

FIGURE 2 **RI Accountability & Governance**



Findings & Analysis

Overall, funds demonstrated a reasonable level of accountability to stakeholders through both identifying RI as important in their fund's beliefs, and by identifying Board-level accountability for the performance of RI.

FINDING 1 - RI POLICIES AND ACCOUNTABILITY: A clear majority of funds had some form of RI commitment available (e.g. voting policy, aspirational RI statement) on their website (70%). A smaller majority referenced RI in their vision, mission or investment beliefs and disclosed RI accountability being at Board-level (56%).

By way of illustration, VicSuper shows the relationship between RI policy and fund governance structures through their Investment Policy Statement.

VicSuper's Investment Policy Statement (IPS) is a publicly available policy that makes very clear how the fund sees responsible investment and where it fits within the broader investment policy. Aside from putting RI front and centre and right throughout the fund's investment beliefs and processes, the Policy displays all the elements of a comprehensive governance and accountability framework.

Making explicit reference to its fiduciary duty to members, VicSuper articulates the fund's purposes, its objectives, and the trustees' roles and responsibilities in delivery to these. The Statement explains how the investment committee supports the Trustees in the successful execution of the IPS's principles; it includes a translation of VicSuper's investment beliefs for the lay person and demonstrates how VicSuper delivers that belief and the rationale behind this approach. The IPS also includes sections on formulating the investment strategy (including but not limited to strategic asset allocation, scenario analysis and stress testing), ESG integration (including but not limited to manager selection), risk management and monitoring and investment strategy review.

When the findings are cut by fund category, a clear difference in the findings emerges. When compared with Industry funds, Corporate and Public Sector/Non-regulated funds, Retail funds were less likely to formally disclose RI commitments in key fund statements, even though providing summary position statements on RI pertaining to investment managers or service provider RI or ESG requirements, was common practice. These less centralised commitments were often indirectly connected to Board-level accountability through responsibilities for investment governance review.

RI Resourcing: Acknowledging that the resourcing of RI knowledge, skills and activities is not necessarily a sound proxy for understanding the maturity of RI in certain funds, RIAA sought to improve its understanding about how different funds incubated, developed and embedded RI practices.

We found that overall, 24% of funds had dedicated RI staff. By sector, nearly one-third of each Industry fund (29%) and Public Sector/Non-regulated (29%) funds had dedicated full-time staff for RI. This was followed by Corporate (17%) and Retail funds (14%). Excluding outsourced staff or service-providers, a total of 24 dedicated RI staff employed across 12 funds were identified from the sample.

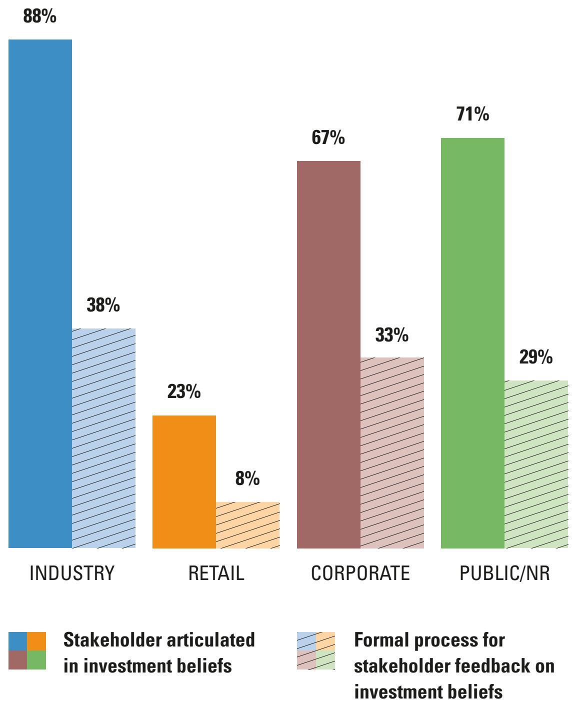
For some funds, responsibility for RI management was integrated across many staff so these figures may not fully capture the staff capacity for RI in Australian superfunds. Many funds also noted that RI was outsourced to asset consultants and investment managers which, in many cases, have dedicated RI teams. This is not represented in these statistics.

Stakeholders identified: Central to good governance is the explicit acknowledgement of key stakeholders and the issues that matter to them; given the fiduciary aspect of the purpose of superfunds, the fact is even truer for this industry than most other. We explored each fund's data for this, as well as the means to engage stakeholders on the formation of RI strategy on an on-going basis. Encouragingly, 68% of funds clearly identified key stakeholders as a part of their investment beliefs. This was more heavily weighted towards Industry funds (84%), followed by Public Sector/Non-regulated (71%) and then Corporate funds (67%). Retail funds were the least likely to define stakeholders, with 21% of funds reviewed making this reference.

Bucking the trend, Retail fund **Plum** (part of MLC Super) with 34% of assets in default (MySuper) identified it to be in the best interests of members to considered ESG factors as part of the decision making on behalf of members invested in MySuper options.

Plum brings this to life in its Trustees Investment Governance Policy by citing *FSC Standard No. 20 Superannuation Governance Policy* as the basis for its ESG Risk Management Policy to be applied to MySuper options.

FIGURE 3 **RI Accountability to Stakeholders**



CASE STUDY **Key RI policies disclosed and relationship to fund governance structure clearly articulated**

NZ Super Fund, which helps pre-fund universal retirement benefits for New Zealanders, publishes a comprehensive range of governance and accountability policies and processes on its public website.

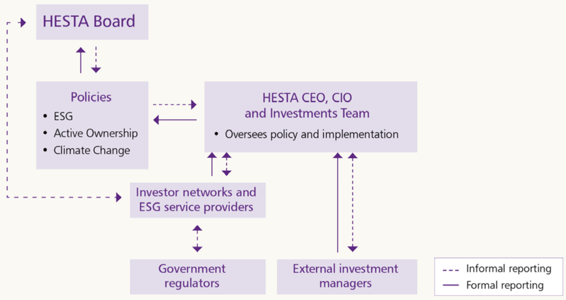
Investment beliefs, including about the materiality of responsible investing to investment returns, are at the centre of this disclosure. The Fund discusses its endowments, its reference portfolio benchmark and ways in which it adds value to this. It also clearly explains how it selects and manages investment managers and how Fund performance is measured and reported. The Fund uses investment themes (resource sustainability, emerging markets segmentation and evolving demand patterns) to prioritise investment research and activities and it provides a dedicated narrative focussed on responsible investing and what it meant by ESG integration.

Beyond what's required by NZ Super Fund in their statue, its Responsible Investment Framework (June 2016) covers the fund's RI policy and framework, the standards against which the fund measures corporate behaviour and the activities and procedures (and the accountabilities for these) in place to deliver the RI policy with the fund's operating context.

CASE STUDY **Key RI policies disclosed and relationship to fund governance structure clearly articulated**

At the highest level, **HESTA** clearly shows by way of a schematic (in its Annual Report 2015/16 and on its corporate website) where the accountabilities for the full implementation of their responsible investment approach sits and the overall RI governance structures – a very clear articulation of RI governance.

ESG governance structure



How we regard RI Commitment disclosures

Limited	No formal RI commitment
Basic	Commitment to consider ESG or RI but little or no specific RI approaches mentioned Collaborative initiatives or ideas referenced
Broad	Specific RI approaches committed to by the fund RI approach at asset-level discussed Collaborative initiatives and involvement or reporting identified
Comprehensive	Specific RI approaches committed to by the fund RI objectives, including targets defined and aligned with stakeholder interests RI policy, signed off by Board and policy maintenance schedule articulated RI policies, approaches and asset-level coverage defined Involvement in collaborative initiatives detailed and reported

2. RI Commitment

What is RI Commitment?

RI Commitment involves the fund's statements and activities around the promulgation of responsible investing both within the fund and within its relevant market. Statements and activities include the making of public statements (by way of a policy and underlying guidelines) to formalise a fund's RI beliefs and informing stakeholders to what they are committed. RI beliefs ordinarily contained in policies include ESG themes, key approaches for implementation (e.g. ESG Integration, Positive/Best-in-sector Screening etc.) as well as a statement about its coverage (over certain asset classes, or the whole of the fund). Policies are formal documents endorsed by executives at the highest level of the fund.

RI Commitment also includes activities such as engaging and communicating with staff and members on issues related to RI as well as industry activities such investor initiatives, memberships and involvement in industry associations.

Research goal: To identify the nature and coverage of fund's RI commitments (e.g. RI beliefs as captured in policies, and through collaborations) aligned to investment beliefs, and the governance aspects supporting the fund's approaches to delivering on these commitments.

Key aspects used to assess RI Commitment:

- *Has publicly stated commitment to responsible investment endorsed at the highest level of the organisation (policy and/or guidelines). Elements of the policy that ensure that it can be put into action include ambitious but specific and achievable targets and KPIs*
- *Has full coverage of RI policy over the total portfolio and asset classes*
- *Has defined commitments to RI approaches, e.g. for active ownership and stewardship practices, a process for corporate engagement and voting are in place*
- *Has expressions of RI commitment such as through memberships of collaborative investor initiative/s.*

Findings & Analysis

Policy endorsement: Securing Board-level sign-off on investment beliefs containing RI commitments or a standalone document, such as an RI Policy, is an important proxy for recognising a fund's level of RI Commitment. Encouragingly, 30 funds (60%) had a Board-endorsed RI Policy and all but two also include a formal process and timeline for on-going maintenance of the policy, signaling strong governance practices by the former group of funds.

RI Commitment aligned with stakeholder interests: RIAA was pleased to find many incidents of funds (especially Industry) articulating how their RI strategies aligned with stakeholder interests. Due to the data collected, RIAA was not able to quantifiably report on this metric. However, by way of illustration **Christian Super** has Christian themes addressed in its RI policies that are material to the fund's key stakeholders. On its website, the fund clearly states that the RI strategies apply to the fund in its entirety, across all industries and asset classes;

> "every single one of our investment has been screened to make sure your Super is invested in line with the Bible values".

Christian Super is also certified as one of three RIAA Superfund Whole of Funds meaning that the fund has achieved external verification of this commitment, and applies a minimum of at least two RI strategies across a minimum of 75% of the assets under management.

Use of targets in RI Commitments: the normative measure of performance as used in the Australian superfunds is either performance against an index or benchmark or performance against peers. RIAA found some surprising developments around target setting; a clear articulation of outcomes against a desired future state.

By way of illustration **Australian Ethical Super** has a "zero emissions intensive by 2050 target" for its investment portfolio. The target's ambition follows the recommendations of the Australian Climate Change Authority and a pathway consistent with keeping warming below 2° Celsius. Australian Ethical Super provides this target and reports progress against this in its Annual & Sustainability Report. The target is ambitious but meaningful and sets out how the fund will measure progress against this.

Another example is **Cbus** in its Annual Integrated Report 2016 – Built for Life demonstrates how Cbus aims to contribute to the six select Sustainable Development Goals (SDGs)

> *We (Cbus) have chosen six of the seventeen SDGs after considering where we believe we contribute. In doing so we considered our investment decisions, business partnerships, responsibilities as a property developer through Cbus Property, role as an employer and relationships with stakeholders, policy makers and domestic and global influencers.*

Among the six are Gender Equality (Goal 5), Decent Work and Economic Growth (Goal 8) and Sustainable Cities and Communities. (Goal 11).

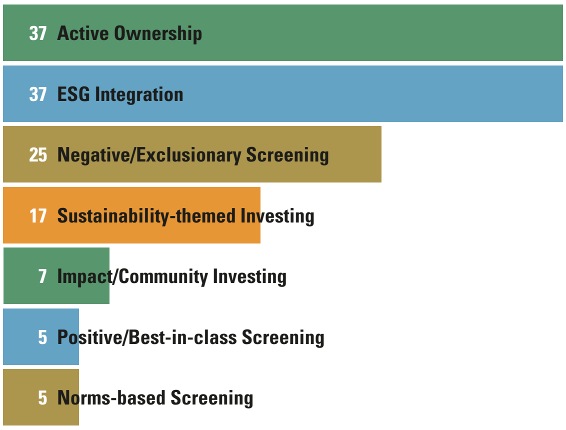
RI approaches and coverage: To identify the styles and gauge the extent of funds' commitment to RI, RIAA searched funds' data for RI approaches, assets covered by RI approaches, and other forms of committed action towards RI objectives.

Generally, funds link the RI approaches they implement to their RI beliefs and commitments e.g. a fund whose beliefs are around an ethical approach to investing would most likely include negative/exclusionary screening in their RI approach, whereas a fund whose primary beliefs are around taking an active owner approach would most likely employ ESG integration, corporate engagement and voting as key RI approaches.

FINDING 2: Of the 50 funds, 43 (86%) are committed to an RI approach across at least one asset class. 39 funds (78%) have an RI approach covering a majority of assets. ESG Integration and Active Ownership – primarily comprising corporate engagement and voting - were unanimously the most cited RI approaches adopted by funds, followed by Negative/Exclusionary Screening and Sustainability-themed Investing. Impact/Community Investing, Positive/best-in-class Screening and Norms-based Screening were the least adopted RI approaches in the sample.

Another observable trend regarding the compatibility of certain RI approaches to specific asset classes was that Sustainability-themed Investing was more frequently identified as a secondary RI approach in regards to private equity, property, infrastructure and commodities; whilst Positive/Best-in-class Screening and Norms-based Screening was cited for fixed income, cash and alternatives.

FIGURE 4 **Fund use of RI approaches**



EXAMPLES **Definitions of RI beliefs by funds that commit to ESG integration**

First State Super: First State acknowledges that the investments they make have a foot-print in markets, communities and on the environment. First State believes that poor management of long term ESG related risks by a company not only impact investments but can potentially harm the broader community and environment as well.

Qantas: ESG factors can impact investment risks, returns and reputation and contribute to Qantas Super delivering sustainable growth for the benefit of members.

Perpetual: A key objective of Perpetual Superannuation Limited (PSL) is to maximise long term real returns for members whilst keeping risk to an acceptable level. PSL believes that in order to meet this objective they must address the risks posed by poor management of ESG which can in turn lead to a decline in the long term value of investments.

Trending exclusions: Negative/Exclusionary Screening was the third most adopted RI approach with 25 funds (50%) identifying exclusions as an RI approach and 17 funds (34%) adopting fund-wide exclusions; tobacco was the most commonly applied screen (14/17). Armaments/Controversial Weapons were the second most frequently applied exclusion (8/17). Although RIAA hasn't mapped this trend over time, it is likely that fund-wide exclusions is a relatively new development, with many funds having excluded tobacco in recent years.

FIGURE 5 **Popular Fund-wide and RI option Exclusions**

Exclusion	RI-option Exclusions	Fund-wide Exclusions
Alcohol	7	2
Armaments/ Controversial Weapons	12	8
Fossil Fuels	5	3
Gambling	11	3
Pornography/Sex-industry	8	1
Tobacco	13	14
Uranium/Nuclear Power	14	1

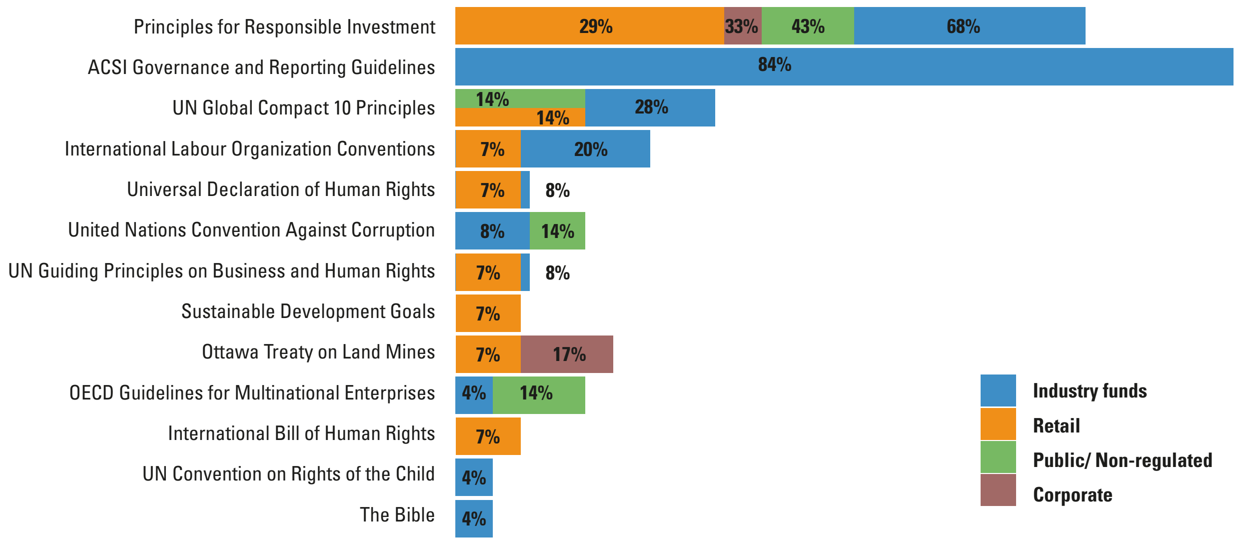
FINDING 3: Twenty-four (48%) funds offered a total of 54 dedicated RI investment options and eight funds (16%) had their RI investment option/s or whole-of-fund certified by RIAA (those eight certified fund providers offered a total of 33 certified options plus three were certified Superfund Whole of Fund). Of the 24 funds offering RI investment options, 20 funds had options that applied specific exclusions (see Figure 5).

Many ESG Integrated funds disclosed a preference to avoid negative screening or exclusionary investment strategies, citing that the idea of excluding a company was at odds with the fund's beliefs in ESG integration and Active Ownership. Conversely for ethical funds and specialist RI funds, negative screening and exclusions were crucial to ensuring the integrity of their investment alignment with their RI beliefs and those of their beneficiaries.

Sustainability-themed Investing: Seventeen funds (34%) indicated use of Sustainability-themed Investing and it was most frequently cited in application to private equity, property, infrastructure and commodities. Low-carbon tilts were the most common theme.

Positive/Best-in-class Screening and Screening based on International Norms: A handful of funds (10%) cited Positive/Best-in-class Screening as either a primary or secondary RI approach across fixed income, cash and alternatives. Screening based on International Norms was generally cited after ESG integration in regards to International Equities.

FIGURE 6 **International Norms & Conventions by Fund Category**



Impact/Community Investing: Based on the data available, Seven (14%) funds indicated use of Impact/ Community Investing as an RI approach. Although a relatively small part of the sample, this RI approach is receiving growing attention from funds with a number actively exploring possible approaches to allocating capital to impact investments.

RI Commitment to International Norms: Another way in which funds grounded their commitment to RI was through the reference to a wide variety of national and international RI guidelines and conventions that had informed their RI policy. This showed a level of consideration of not only the fund's commitment to RI, but how that commitment aligned with activities of other institutions operating internationally.

The PRI's *RI Reporting Framework 2016 Overview and Guidance* and the Australian Council of Superannuation Investors (ACSI) *Governance and Reporting Guidelines* were most frequently cited by funds as an influence on their policies (see Figure 6). It should be noted however that whilst the ACSI *Governance and Reporting Guidelines* were referenced by Industry funds only, the second most cited international guideline in terms of all categories of funds was the *UN Global Compact's 10 Principles*.

Voting Policy Issues: Other specific policies and commitments were also noted in this research. Formal voting policies were implemented by 29 funds (58%) and engagement policies were implemented by 15 funds (30%). Issues cited in voting policies were largely consistent across the different categories of funds, with the exception that RI funds with a values/ethical focus included environmental and social factors in their policies. The weighting of voting policy issues is noted in Figure 7.

Governance issues – with a focus on remuneration – are most frequently cited in voting policies, with decision-making processes and transparency following closely. Twelve percent of funds indicated environmental issues for consideration in their voting policies and 10% indicated social issues. It should also be noted that many funds identified the ACSI *Governance and Reporting Guidelines* as a reference document for their voting activities. These guidelines list disclosure of ESG risks are one of 25 governance factors that dictate voting decisions.

FIGURE 7 **Voting Policy Issues**

FIGURE 8 **Most Popular Collaborative Initiatives**

Principles for Responsible Investment	29
Australian Council of Superannuation Investors	20
Investor Group on Climate Change	17
Carbon Disclosure Project	15
Responsible Investment Association Australasia	14
ESG Research Australia	10
International Corporate Governance Network	6
Asian Corporate Governance Association	4
Global Real Estate Sustainability Benchmark	4

Collaborative initiatives: Funds join and participate in collaborative initiatives for a range of reasons from keeping abreast of thematic developments (e.g. payday lending) to participating in a "community of practice" and collectively advocating on issues of common importance).

From the sample, we found overall funds that focused on RI also tended to participate in collaborative initiatives (see Figure 8). Twenty-nine (58%) funds collectively identified as members of 30 different collaborative initiatives. The PRI was the most cited collaborative initiative, with 29 funds participating, followed by ACSI (40%) and the IGCC (34%).

By way of illustration MyLifeMyMoney Superannuation Fund (broadly known as **Catholic Super**) is a member of many working groups focusing on ESG aspects of investments.

The fund states that participation in such working groups provides the best platform to collaborate with other investors and engage with investees, in addition to its direct undertakings on ESG matters. Catholic Super's CEO is the Chair of the Investor Group on Climate Change – Australia and New Zealand, and is also a member of the Global Investor Coalition on Climate Change (GIC). The CEO participates in working groups that explore collective actions to better understand and manage emerging climate risks impacting superfunds as long term investors.

CASE STUDY **Trustee relationship to RI policy; policy maintenance articulated**

First State Super's Responsible Investment: Environmental, Social & Corporate Governance Policy (August 2016) is a Board endorsed public document that articulates the overall aim of the fund, its Trustees' primary duties as a fiduciary, and the role ESG issues and processes play in the Trustees' fiduciary and statutory duties in managing members' retirement savings.

The fund accessibly outlines the "business case" for ESG integration and how this in turn translates into Trustee beliefs. The remainder of the Policy (which is reviewed at least on an annual basis) lays out the different aspects of ESG, how these are to be implemented and the set of comprehensive requirements for new external managers to manage ESG risks and opportunities, consistent with the Policy, on behalf of the Trustee. First State Super's commitment to RI is further strengthened by the inclusion of RI in its Investment Beliefs Statement and Investment Policy Statement.

> *The Trustee reasonably believes that companies that best manage ESG risks, impacts and opportunities are more financially sustainable in the long term and will deliver better long-term financial performance.*
>
> *Companies that are unwilling or unable to take important ESG issues into consideration may:*
>
> - *Put the companies' reputation at risk,*
> - *Cause loss of market opportunities,*
> - *Diminish company value, and*
> - *Adversely affect other companies in which the Trustee has invested.*
>
> Poor ESG practices can lead to financial risks as well as a decline in investment value. If ESG factors have the potential demonstrable impact on the financial performance of investments, they should be analysed and taken into account in investment decisions.
>
> *The Trustee reasonably believes that:*
>
> - *Trustees should, either directly or through their service providers, take steps to understand the relevant ESG issues in companies and the companies' capabilities, systems and structures to manage ESG issues before they escalate into events that can threaten the value of the trustees' investment, and*
> - *Trustees may risk failing in their responsibilities as fiduciaries if they disregard material ESG concerns that may affect the long-term value of their investments. They should follow up on these concerns and ensure they, or their service providers, deal with them properly.*

3. RI Implementation

What is RI Implementation?

Implementation considers the operationalisation of the responsible investment policy and beliefs.

Research goal: To assess whether the responsible investment beliefs are operationalised effectively across the fund and consistently with the RI policy and strategy.

Understanding RI implementation is less about what the fund has committed to in terms of RI and more about how the fund goes about doing it. Strong RI implementation starts with the fund's investment beliefs (which may or may not sit within the investment policy approved by the board and disclosed publicly) and follows an explicit process, both internally and with key external stakeholders, such as fund managers and asset consultants, to deliver investment strategies that are consistent with the fund's investment beliefs.

For example, if the investment belief is "we aim to be active owners," then the evidence provided on the process involved in delivering successful Active Ownership behaviours (such as corporate engagements, proxy voting policies and disclosures etc.) should take a larger role in the implementation than say, impact/ community investing or other RI approaches.

However, what is consistent for all RI Implementation are common aspects of good governance of that implementation:

- *Can provide confidence that RI strategies are implemented through relevant channels.*
- *Can demonstrate systematic process for RI implementation (e.g. such as how decisions are made within the organisation and between its external service provides*
- *Provides confidence that these processes are applied consistently and effectively (e.g. external research providers, third party verification, industry certification, evidence of continual professional development by key personnel etc.)*
- *Has mechanisms for reporting internally against the policy implementation*
- *Has clear and formal processes in place for selecting, managing and monitoring of underlying managers consistent with the fund's RI expectations*
- *Clearly sets RI expectations in relevant documents for and discussions with managers of underlying assets.*

Some additional aspects to implementation that are linked with the expectations expressed by Dutch association for responsible investors, VBDO, are these elements of RI Implementation for which funds also provided information.

- *Can show how RI strategies are applied across material asset classes within the fund (or expressed as a percentage of AUM covered)*
- *Has clear processes for delivering RI approaches (e.g. ESG integration, sustainability themed, etc.) across the fund's various asset classes*
- *If applicable, the fund offers consumers choice with the addition of responsible, sustainable or ethical investment options.*

Given that a true picture of a fund's implementation is not possible without an extensive assurance process that was outside the scope of this research, RIAA relied on the self-declared approaches and performances to fulfil the assessment of RI implementation. A primary source for this was *RI Transparency Reports 2016*.

How we regard RI Implementation disclosures

Limited	No RI implementation
Basic	One or two basic implementation areas identified (i.e. voting/engagement policy)
Broad	Implementation for RI approaches defined Some formal and systematic processes for ensuring RI implementation defined i.e. committees, reporting or service provider requirements
Comprehensive	Implementation of RI strategies defined with formalised procedures for review disclosed Processes undertaken to ensure RI policies are implemented, measured and reported e.g. engagement reporting, voting disclosure on website with a narrative about key engagement issues and/or companies engaged Process to align RI policies with service providers - including external managers - identified and disclosed

Findings & Analysis

There are clear signs that Australia's largest superfunds have in place formal processes for selecting, managing and monitoring the RI performance of underlying managers to ensure their fund commitments to RI are being implemented, where relevant, with their external agents.

Not all funds that use external fund managers have formal channels for providing feedback or reviewing performance of RI implementation; and performance review happens at varying intervals from "six monthly to when contracts are up for renewal". Additionally, although 21 funds (42%) indicated that RI issues were discussed with investment managers, only 16 (32%) explicitly identified specific RI performance expectations in formal documents used to manage the on-going review of underlying fund managers. Rather, most funds declared that they selected fund managers because of the fund manager's own external commitments to RI and so in the execution of their service agreement, allow the fund manager to invest in the way it sees fit. Without clear and formal requirements in place to articulate and align RI policies of the superfunds with service providers, it is challenging to monitor the consistency of RI implementation.

As the research methodology did not include undertaking real time assurance of superfunds, to assess the level of RI implementation, RIAA looked for evidence of formal processes for managing external service providers and other proxies for quality, such as sources of ESG information in decision making.

FIGURE 9 **RI Performance Considerations Used in IMAs**

Acting in accordance with fund's RI policy, strategy and reporting requirements	16
Incorporating specific or general ESG factors into investment decision-making	12
Acting in accordance with fund engagement and voting policy	11
Requiring ESG analysis, monitoring and reporting	10

Investment Manager management processes: 17 funds (34%) indicated that responsibility for RI implementation is incorporated into investment management agreements. These funds disclosed a range of performance considerations. Figure 9 notes the frequency and nature of these performance considerations among the funds that employ them.

Encouragingly, all 17 funds that include RI performance considerations in investment management agreements indicated formal and periodic processes to evaluate managers on delivering against the RI considerations defined. RIAA considers that formal measures for RI performance of underlying investment managers indicates a comprehensive quality management approach, which is consistent with good practices.

By way of illustrating HESTA's Annual Report 2016 includes an accessible narrative and images to support the understanding of their approach to manager monitoring.

HESTA clearly and accessibly explains its approach to incorporating ESG factors into manager selection and monitoring across all asset classes. The organisation states that because it uses the services of external investment managers to invest on their behalf, the appointment of these managers is one of the most important decisions they make.

FINDING 4: Evidence of quality data sources to enhance RI decision making: Of the 37 funds that committed to ESG Integration as a preferred RI approach, 18 funds (36%) were able to identify processes to ensure that ESG information used for investment decisions was of a reliable quality. This assurance was sought in a variety of ways, however the three most common methods included a requirement for external managers to provide quality ESG information, the use of an ESG database, or sourcing comprehensive ESG research.

Thirteen funds noted that ESG factors were reviewed by internal investment teams, and of these, seven funds noted that ESG information was held within a centralised database, whilst five reportedly kept systematic records regarding ESG integration into investment.

For the funds that preferred other RI approaches to ESG integration (such as Negative/exclusionary screening and Positive/best-in-class screening), the use of external research, such as via research providers or brokers remains the main approach.

Active Ownership implementation – Corporate Engagement and Voting

Twenty-six funds (52%) indicated they have some level of involvement in corporate engagements, although given that 31 funds declared applying "active ownership" as an RI approach, these figures appear low. The PRI *RI Reporting Framework 2016 Overview and Guidance* encourages superfunds to disclose their level of involvement in collaborative engagements (from ad hoc/little, basic, moderate and comprehensive). Of the 26 funds that indicated involvement in corporate engagements via service providers, 13 (50%) noted a comprehensive level of involvement (three noted a moderate level, six noted a basic level and four noted ad hoc or little involvement).

With regards to direct corporate engagement, 15 funds (58% involved in corporate engagement) reported undertaking direct engagement activities (those same funds with an engagement policy), however only eight of these funds undertook systematic monitoring of the actions taken by a company after each engagement.

As noted in the previous section, 29 funds (58%) had a voting policy and undertook an active approach to voting. Funds scaled as "comprehensive" had formal voting policies in place, publicly reported on most resolutions (across domestic and international equities), and are increasingly, declaring voting intentions before AGMs.

By way of illustration of implementing formal voting policies,

Local Government Super identifies itself as a long-term investor and takes an active ownership approach to improving the ESG and financial performance of its investments. As a way of implementing their active ownership commitments, LGS publishes its voting intentions before each AGM on its Proxy Voting Disclosure Website to invite companies into a conversation with them about ESG aspects that matter to LGS.

Interested members can also easily look up LGS' voting intentions and outcomes across all its listed equities holdings – for both the current AGM season and back to 2014. The only thing that they do not disclose is how many shares that LGS holds in each company, this is to protect the fund's investment positions. However, LGS like most superfunds has holdings in most companies and sectors globally. If a company appears on the LGS Proxy Voting Disclosure website then they have holdings in that company and they have or intend to vote their proxies in accordance with the process in the LGS Proxy Voting Policy.

Responsible, sustainable or ethical investment options; RIAA Certification

Many traditional funds that applying ESG integration as their primary RI approach also offer members SRI or RI options. The most popular RI approach applied to these is Negative/exclusionary screening (such as certain fossil fuel exclusions, tobacco, gambling, alcohol, weapons or other), followed closely by Sustainability-themed Investments (such as a low carbon intensity-tilt, renewable energy, sustainable agriculture or green property).

The implementation of these approaches differs from fund to fund. Because nine (18%) of the funds (AMP Super, First State Super, UniSuper, Sunsuper, ACSRF, Local Government Super, Perpetual, Christian Super and Australian Ethical Super) have or distribute options certified under RIAA's RI Certification Program, the processes for implementing these options is known to RIAA (see page 21 for case study on Christian Super's implementation strategies).

Screened funds tend to start with a set of RI beliefs, based on what members are most likely to want to exclude or include in a fund (e.g. tobacco out and social housing in). Funds report relying on various sources to inform their screening of funds including external index providers, ESG broker research or external ESG research houses. Many funds reported that they are the heavily involved in the interrogation of that research to meet members' interests (e.g. in defining the scope and boundaries of "fossil fuel exclusion". On at least two occasions, members from the research houses also have seats on the superfunds' investment or ESG advisory committee responsible for that SRI option.

Also reported were special-purpose investment committees for screened funds. These would meet on average twice-yearly and discuss emerging ESG trends and the impact of these on industry codes (GICS) as well as ESG issues impacting specific companies. The committees are also responsible for (at least annually) running a test on the portfolio as way of applying an internal audit to see if particular "border line" stock emerge in the universe if inconsistent with the given screen.

Seeking certification by RIAA was another approach that allowed funds to both review the governance aspects of RI approach implementation, as well as to provide an independent verification that the RI approach was being effectively implemented.

Case Study on implementation of other approaches such as screens, sustainability-themed investments and impact investing

Values-based superfund, **Christian Super** has developed an approach to implementing and tracking the performance of its RI strategies that is consistent to delivering against the fund's own investment beliefs. They call it their "Ethical KPI".

The fund applies several RI approaches to the management of its portfolio: negative/exclusionary screening, positive/best-in-class screening; impact/community investing and active ownership - engagement and voting. The fund aims to apply at least two screens to 100% of its portfolio.

Firstly, they assign a value (out of 10) to each investment in the portfolio in the extent to which it expresses Christian Super's responsible investment beliefs. This is calculated quarterly and reported to the Ethics Committee, Investment Committee and Board.

Secondly, they look through their entire portfolio holdings (including holdings of fund of funds) to identify any holdings that they consider objectionable in some way; they then report to the Ethics Committee, Investment Committee and Board any such holdings. Objections can arise from three sources:

— Managers that have breached mandate conditions regarding the implementation of negative screens;
— Holdings in lower-tier exclusions (they divide their exclusions list into tiers based on severity and then put companies on a black list until excluding more companies would, in their view, potentially compromise their investment strategy, at which point they put them on a grey list);
— Managers where they have given some leeway to hold a small percentage in companies that they would otherwise exclude – usually because they are in a screened pooled product that does not perfectly match Christian Super's exclusions list.

Thirdly they report (see 4. Measurement & Outcomes).

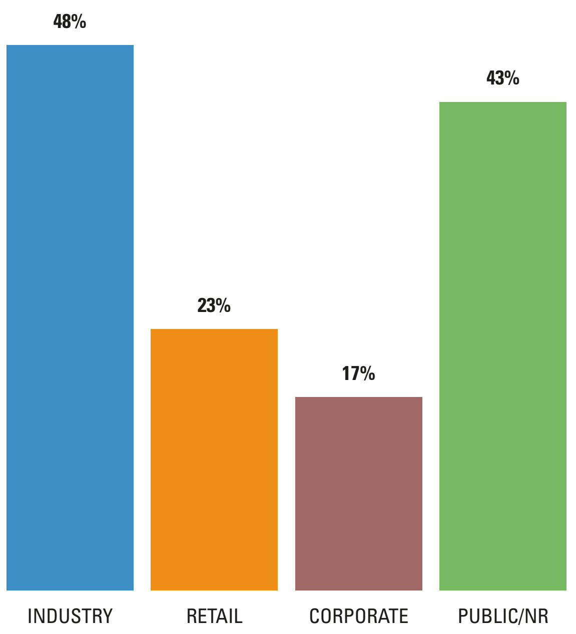
Implementing Impact/Community investing

Implementation of Impact/Community investing is an area where many funds disclose ongoing research and development. Of the three funds (6%) that disclose applying this as an RI approach, the impacts targeted are determined in line with ESG issues related to the industries in which their members are employed or RI preferences of their membership. The measures on Impact investments tend to follow a dual approach where financial returns are tracked alongside social or environmental impacts created by the investment (e.g. low-cost housing developed, carbon foot-print reduction).

Role of formal review in implementation

Nineteen funds (38%) comprising Industry (12), Public Sector/Non-regulated (3), Retail (3), Corporate funds (1), indicate a formal internal review to ensure that RI policy is in alignment with the fund's overall RI strategies and investment beliefs. However, when assessed as a percentage of their fund category, Industry and Public Sector/Non-regulated funds showed a greater propensity towards formal internal RI review than Retail or Corporate funds (refer to Figure 8). This type of review, whilst not definitive, is considered an important part of the ongoing awareness and high-level assessment by a fund to measure the extent to which RI approaches are achieving their intended purposes.

FIGURE 10 **Formal Internal RI Review by % of Fund Category**



4. Measurement & Outcomes

What is Measurement & Outcomes?

The practice of tracking progress on RI implementation against a defined target or set of success measures; and the outcomes of investment practices on environmental, social, governance and ethical issues.

Research Goal: There are growing expectations from beneficiaries and other stakeholders on funds to report on the outcomes of responsible investment strategies. This pillar looks at the ways any funds are starting to measure and communicate their outcomes, and assess any proxies for measuring the impacts and outcomes of responsible and ethical investment activities broader than financial results and returns.

This is a new and emerging area for responsible investment. This area ties in closely with transparency and reporting, however seeks to see what approaches are currently being used by funds to measure and therefore clearly discuss the outcomes of their responsible investments.

Based on the publicly available data and data provided by respondents, RIAA found a variety of ways by which funds are currently measuring and assessing RI outcomes.

- *Defines indicators (or proxies) and/or set targets to measure the performance of their RI activities and outcomes; examples include:*
    - *Reporting on changed company behaviours (e.g. REM) as an outcome of corporate engagements*
    - *Understands the sector breakdown of a fund and how far it deviates from the benchmark to measure the veracity of ESG integration*
    - *Estimates jobs created from a tilt towards local property and infrastructure assets*
    - *Calculates the weighting of its portfolio towards companies producing low carbon products and services*
- *Uses external organisations such as research houses etc. to assist with the measurement of performance and outcomes*
- *Puts itself forward for external review and assessment*

Findings & Analysis

In our exploration of measurement and outcomes, RIAA considered the nuances and measurement challenges for the differing RI approaches; namely, that for some asset classes, this is simper than for others e.g. the outcomes from applying a sustainability-themed investment approach across property assets can be reasonably measured (e.g. NABERS, Green Star, GRESB) by way of individual asset star or index rankings, or aggregate rating for a "green" property portfolio. As these third-party ratings possess built-in performance benchmarks, assumptions can be made in terms of reductions in greenhouse gas emissions, tenant energy consumption savings and so forth. However, for funds whose primary RI approach is ESG integration, knowing what to measure and understanding what outcomes looks like, is a more challenging undertaking.

How we regard Measurement & Outcomes disclosures

Limited	No RI-related measurement or outcomes
Basic	Disclosure indicates fund is "considering" the management of RI (e.g. starting to look at carbon risk in portfolio) No disclosure
Broad	Target outcomes, metrics or milestones identified across at least one asset-class Fund objectives in RI defined and discussed (e.g. has commenced portfolio foot-printing for carbon intensity and exposures) Reporting done in line with reporting conventions (e.g. GRI), collaborative initiatives (e.g. CDP) or guidelines adhered to by fund
Comprehensive	Target outcomes, metrics or milestones identified across more than one asset-class (or at portfolio-level) aligned with investment beliefs Process to measure RI strategies against fund beliefs or stakeholder interests demonstrated Method to measure fund success in RI implementation discussed and disclosed Submits for peer and/or external review (e.g. assurance over portfolio carbon intensity)

Even so, the research findings suggest that RI performance measurement, across more than a few developed areas (such as investment manager performance) is in its infancy for Australia's largest superfunds. However, measurement more broadly, is well understood and undertaken by funds for financial and reputational purposes.

Funds that have started to tackle this area of work, told us that the places they went in search of guidance for metrics and proxies to use for measuring outcomes, were drawn from sources including:

- *Global Reporting Initiative (GRI) (e.g. sector overlays providing additional metrics)*
- *Sustainable Development Goals (e.g. the targets within specific SDGs and the GRI indicators to measure progress against these)*
- *World Business Council for Sustainable Development (WBCSD) (e.g. Reporting Matters 2016 for communicating on the Sustainable Development Goals)*
- *Sustainability Accounting Standards Board*

Data collected indicated the use of different styles of performance measurement. From most to least adopted, or a combination of these, they are:

- *against an industry / index benchmark (e.g. Dow Jones Sustainability World Index)*
- *comparison with like-peers (e.g. as per the CDP Leadership Indices)*
- *year-on-year improvement (e.g. as disclosed as trends in annual reports)*
- *towards specific fund-based performance targets (e.g. portfolio emissions intensity target in a defined year).*

For many funds, the integration of ESG was considered as part of a philosophy that believes investment returns integrating ESG considerations will provide better long-term performance. This, as was noted by many respondents, is a difficult area to measure and report.

Progressive approaches to measurement

FINDING 5: A handful of funds (14%) have devised specific targets for the performance of their RI activities, either within the RI policy itself, or separately. These seven (7) funds, (Catholic Super, Vision Super, Local Government Super, Australian Ethical, Cbus, LUCRF Super and Christian Super) use a range of approaches to do this. For some, the measures cover portfolio impact, for others, specific methodologies were developed to measure the alignment of investment outcomes alongside a fund's RI objectives.

Catholic Super and **Vision Super** provided specific targets regarding portfolio carbon intensity, whilst **LUCRF Super** defines targets for the fund's activities in collaborative and qualitative RI development.

Local Government Super had ESG-weighted scores for the performance of its sovereign bond portfolio, with targets to improve correlations between financial and ESG-outcomes.

Cbus articulated six "capitals" that their business uses and transforms to create long-term value; these are factored into business decision making and reported on These are:

- *Financial Capital – funds available to Cbus*
- *Manufactured Capital – Our buildings and infrastructure*
- *Human Capital – Our people*
- *Intellectual Capital – Our systems and processes*
- *Social and Relationship Capital – Our partnership and networks*
- *Natural Capital – the Earth's resources*

Australian Ethical benchmarks its share portfolio carbon foot-print against (a) previous years' footprinting; (b) a blended benchmark for its funds; and (c) the target it set itself of zero emissions intensive by 2050. The Fund had input and review from external providers Trucost, 2 Degree Investing Initiative (2ii) and, for analysis of avoided emissions, accounting firm EY.

Separately, funds also sought to define and measure RI performance based on empirical data regarding the non-financial output of the investment, such as, for example, carbon emissions avoided, social services facilitated, improved access to affordable housing.

A total of 14 funds disclosed that they measure their carbon foot-prints and some of these offered low carbon-tilt investments as well public reporting on their carbon foot-prints. Specifically, these funds disclosed that portfolio carbon emissions were measured against a benchmark with targets relative to the benchmark assessed each year. This form of measurement proved a tangible and reliable record of non-financial impacts, although in order to be effective as a tool for implementation of an RI approach, requires targets to also be set for the performance of non-financial outcomes (e.g. less than +2% increase in carbon output).

As way of illustration, **BT** is a signatory to the PRI's Montreal Carbon Pledge (under BT Financial Group) which commits the fund to measure Scope 1 and 2 carbon emission intensity, based on their exposure to Australian and International equities.

AustralianSuper puts its RI activities and performance forward for examination by external providers of ratings and industry awards. It celebrates its RI outcomes and recognitions in its Annual Report (See Figure 11).

Measuring performance and outcomes of other RI approaches

For organisations such as **Christian Super**, who applies a number of RI approaches across its fund to deliver against its values based RI beliefs, measurement, whilst still challenging, is shaping up. For example, Christian Super measures and reports on the certain impact metrics from their portfolio ("ethical KPI). Some examples of data measured are:

- Number of student loans provided
- Number of microfinance loans
- Number of micro-insurance customers
- Increase in employment in social enterprise companies in which they invest
- Carbon emissions avoided through new renewable energy sources.

CASE STUDY **Process to measure RI strategies against fund beliefs or stakeholder interests demonstrated**

In the narrative about the outcomes of these measures, **Australian Ethical Super** explores how the fund addressed the competing challenges of stock selection to achieve portfolio decarbonisation as well as delivering positive impacts through useful products or services. The fund discusses an energy company which is the single biggest contributor to portfolio operational emissions intensity but that also continues to strategically shift its electricity generation from traditional to renewable sources (to over 75% hydro and geothermal electricity) resulting in a net emissions intensity reduction of 10% on the previous year; the kind of stock that fits well with the fund's investment beliefs. The extent the fund goes to understand and work through the issues related to measurement against the targets its set itself, all the while checking back on how the outcomes align with investment beliefs, is what RIAA sees as comprehensive RI practice.

Furthermore, the fund has quantified the positive downstream emissions impact of key products that its investments produce, such as silicon for the manufacture of photovoltaics.

FIGURE 11 **AustralianSuper Annual Report 2015 – 16**

A+

AustralianSuper achieved the highest possible rating for Overarching Approach to Responsible Investment in the latest PRI Global Assessment Report.

10.63%

Environmental data experts Trucost found AustralianSuper's domestic equity portfolio is 10.63% less carbon intensive than the ASX300.

7th

AustralianSuper was ranked 7th of 500 funds globally in last year's Asset Owners Disclosure Project.

5. Transparency & Responsiveness

What is Transparency & Responsiveness?

Transparency is about the complete and reliable disclosure of investment practices. Responsiveness is about the timely communication with relevant stakeholders in a way that is inclusive, respectful and accessible.

Research goal: To assess the fund's practices on transparency in reporting and stakeholder engagement with focus on inclusivity, materiality and responsiveness in responsible investing.

Key aspects used to assess transparency and responsiveness:

- *Has a demonstrated commitment to transparency of processes and approach*
- *Reports on the performance and outcomes of the RI strategy*
- *Enables key stakeholders have access to relevant and accessible information*
  - *Provides regular disclosures including underlying fund manager names, full stock holdings, fund performance*
  - *Communicates to members or customers around responsible investment issues and performance*
  - *Makes it easy for customers and members to identify, compare and choose responsible investing option over others*
- *Regularly surveys stakeholders for their RI-related interests, satisfaction with service etc.; this information is used internally for improved decision making.*

Proxies identified for funds demonstrating a clear commitment to transparency of approach and RI process included, but were not limited to:

- *having an accessible and comprehensive set of policies, guidelines and resources on their public websites;*
- *publishing RI Transparency Reports for 2016; and*
- *putting themselves forward for industry and government awards for performance related to disclosures and transparency.*

How we regard Transparency & Responsiveness disclosures

Limited	No RI related disclosures
Basic	Basic RI disclosures, such as RI policy, primary RI approach or RI targets disclosed on website or in publications (e.g. annual report)
Broad	RI information regarding policies, approaches and implementation reported in a segment of either annual or other reporting on an annual basis Public disclosure on RI approach across at least one major asset-class (e.g. equities) Public disclosure of the underlying fund managers.
Comprehensive	Commitment to transparency through regular disclosures of: • RI approaches on website and/or published formal documents/media. • Underlying fund manager names, full stock holdings, fund performance • Disclosure against one or more RI collaborative initiatives or reporting conventions Commitment to stakeholder responsiveness by: • Enabling access to information so it is relevant and accessible, such as via the use of international reporting conventions • RI activities and offerings updated online with easy to use tools • Regularly, proactively surveying stakeholders about RI-related interests, satisfaction with service. etc. • Engages with members about the issues that affect their investments

In those publicly available reports on performance, funds that rose above their peers, describe their investment policies and can report on the results of this and do so at least annually. More than often, these reports were written not for compliance purposes but with key stakeholders - members, customers, or clients - as the audience.

These funds also provide a narrative of their active ownership activities including voting and engagement to their key stakeholders and explained why certain E, S and G issues are important to stakeholders. Leading funds also engage in collaborative, voluntary theme-based transparency initiatives such as the Global Investor Coalition's *Low Carbon Investment Registry* or the UN Global Compact.

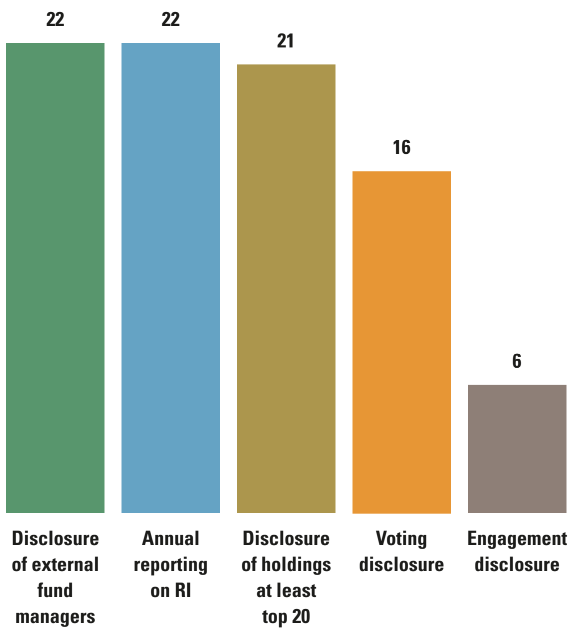
One common issue was that information regarding a fund's RI approach and implementation of that approach was not consistently disclosed in one place. Some funds disclosed details regarding holdings in annual reports, others disclosed it in PDS. With implementation strategies, some funds included this as part of their policy, other funds in their investment governance, and other funds still in the PDS. This made identifying information challenging and highlighted a need for consistency across disclosure conventions for RI.

FINDING 6: Extent of reporting: Twenty-two funds (44%) disclose annually on their RI activities, and of these 15 (30%) report an RI, via a segment of their annual report. Two funds (Local Government Super and UniSuper) provide a comprehensive dedicated report on responsible investing, and four (AustralianSuper, Cbus, VicSuper and CARE Super) funds listed on the IIRC website as participating in the IIRC pilot program; VicSuper and Cbus publishing Integrated Reports in 2016.

By illustration, **UniSuper's** separate RI reports contained a summary of the ESG activities that the fund had undertaken in a six month period. It covered:

- *voting process and outcomes for Australian and international equities (and a list of resolutions made);*
- *corporate engagement activities (non-specific);*
- *a narrative of ESG aspects discussed with corporates (e.g. climate risk);*
- *meetings and conferences conducted or attended; and*
- *other ESG activities such as with fund managers for ESG due diligence and participating in meetings with collaborations such as the Asian Corporate Governance Association.*

FIGURE 12 **RI Disclosures**



It should be noted that in some cases funds disclosed statements or single disclosures focused on particular RI activities only (such as climate change and labour and human rights). These disclosures tended to reflect areas of particular focus for the fund where specific research, advocacy or collaboration had been undertaken. Full disclosure across all RI activities is an area for development across many funds as disclosures were often limited to reiteration of RI policies. Some funds also noted that RI reporting was done internally.

Voting disclosures: Voting records were disclosed by 30 funds (60%) across all categories to varying degrees and as noted earlier was a favoured form of reporting even among funds with little to no RI focus. One fund (Local Government Super) reported providing voting disclosure before voting had occurred. While this is increasingly considered emerging practice for voting disclosure in other jurisdictions, it should be noted that many larger funds refrain from making voting decisions public prior to voting in situations where the fund has a large equity holding in a stock and public announcement of the fund's decision could unduly distort market perceptions.

Engagement reporting: RIAA found a low level of public engagement reporting. Most funds did not disclose the details of company names and issues discussed in engagements, but opted rather to indicate an aggregate number of engagements undertaken and some key issues discussed.

For some funds, reporting on engagement activities was identified as non-conducive to the encouragement of a positive outcome with companies where discussions were on-going. Respondents told us that the efficacy of providing disclosures on engagements must be understood in the context of the investment beliefs held by funds regarding the importance of discretion in engagement activities.

Perhaps due to these sensitivities, only 10 funds (20%) reported on engagements, and a further two funds (4%) disclosed reporting on service provider engagements. This was in sharp contrast to the 30 funds (60%) that disclosed voting records. Aggregate or qualitative disclosure on engagement reporting, such as that provided by Hermes and Regnan Governance Research and Engagement, is one area in which all funds, particularly those highlighting Active Ownership as a key strategy, has room for further development.

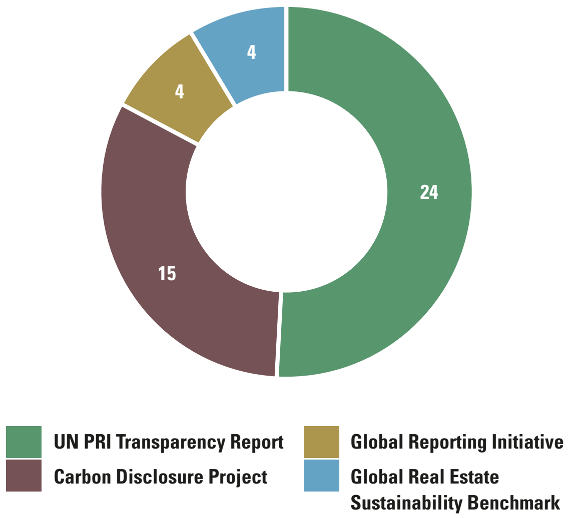
Holdings disclosures: Disclosure of holdings and external fund managers was noted consistently across all funds with an RI focus. According to the data provided by funds, five funds (AustralianSuper, Cbus, Christian Super, Australian Ethical and NZ Super Fund) performed beyond compliance and provided full disclosure of all holdings, whilst 16 funds (32%) disclosed at least the largest 20 holdings across most asset classes (remaining funds disclosed the largest 19 holdings or less). Thirty funds (60%) provided disclosure of all external fund managers.

With regards to these disclosures, several funds surveyed hosted comprehensive webpages that easily navigated users to find the names of underlying fund managers (and often details about them), full stock holdings and the current and past performance of funds. Some funds went further to provide tools that engage and empower users to gain deeper levels of transparency than their peers (see examples from AustralianSuper and UniSuper).

AustralianSuper, via a web based search function, provides interested stakeholders with the opportunity to explore its superannuation pre-mixed investment options by asset class and to see the names and percentage of holdings under each. Notable to RIAA, is the function which allows users to quickly search for a particular holding, by name.

Disclosures via reporting conventions: Collaborative initiatives played a central role in the way that funds sought to report on aspects of their RI performance. For example, by participating in reporting initiatives such as the Carbon Disclosure Project or the Global Real Estate Sustainability Benchmark, funds contributed to aggregate measures of the industry's impact in particular areas of ESG.

FIGURE 13 **Disclosures via reporting conventions and sector initiatives**



Separately, 24 funds (48%) submit an annual *RI Transparency Report*, and 29 funds (58%) were members of the PRI as at June 2015. Whilst none of these initiatives provides assessment of RI performance specific to the fund, involvement in these disclosures promotes active understanding of data and measurement and demonstrates a willingness to be transparent about existing RI practices.

Some funds with more established reporting processes and resources have embraced conventions, using initiatives such as Integrated Reporting (VicSuper, Cbus) and the Global Reporting Initiative as proxies for leading practice. However, a large proportion do not partake in reporting conventions which impedes the industry's move to better and more comparable data. As shown in Figure 13, only four funds (8%) from the sample provide GRI G4 reporting comprehensively (Cbus, VicSuper, Australian Ethical, NZ Super Fund). Separately, AustralianSuper and HESTA have registered their respective financial year (2015) annual reports on the GRI Sustainability Disclosure Database.

By way of illustration, In 2014 and 2015, **VicSuper's** Annual Report received the Award for Excellence in Annual Reporting from the Australian Institute of Superannuation Trustees (AIST). This is the Fund's third year of applying the two global best practice corporate reporting and disclosure standards - the Global Reporting Initiative's (GRI) G4 reporting guidelines and the principles of the International Integrated Reporting (IR) Framework.

With some of the larger Retail funds, it was often the case that the parent group (e.g. NAB, Suncorp Group, Westpac, Macquarie, Commonwealth Bank) provided aggregate or associated reporting aligned with conventions. The tendency by this group towards similar disclosure among several other retail fund parent entities suggest a higher sophistication and maturity on using international standards for reporting on their own organisation.

FIGURE 14 **Public Accessibility of Disclosures**

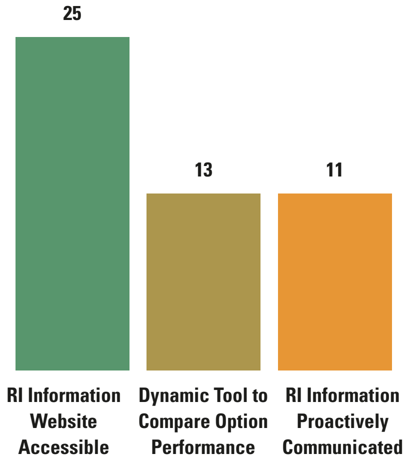


FIGURE 15 **UniSuper online pre-mixed option comparison tool**

Accessibility of information and stakeholder responsiveness: Key to transparency was the ability of funds to communicate the above disclosures and RI activities generally to stakeholders and the broader public. For the funds that have RI front-and-centre of their investment beliefs, overall, RI information was easy to find on their respective public websites. One respondent offered a perspective, that having RI in the "fund's story" provided a useful hook for connecting with existing members. "Website users when they land on our site, read about our approach to investing, connect with our common goals and feel proud to be part of a fund that cares about the future."

These funds were also more likely to offer helpful and responsive online tools for the measurement and tracking of investment option performance and holdings disclosures. This was a useful feature and one that likely contributes to an ease of access for members considering transferring to an RI option.

By way of illustration, **UniSuper** demonstrates a commitment to stakeholder responsiveness by providing a user-friendly tool that enables stakeholders to select and compare the relative performance of funds over time (see Figure 15). It's easy to find, easy to use and easy to read the results. In this situation, the user can compare the relative performance of UniSuper/s pre-mixed options (High Growth and Sustainable High Growth) with a weighting towards specific assets classes / sectors (Global Environmental Opportunities).

In Figure 14, half of the funds in the sample provided RI information on the fund website. Whilst some funds showed a preference for highlighting their RI activities via visibility on primary pages and integration throughout the website as relevant, other funds folded RI information into less discoverable parts of the website, such as the marketing newsletter, or "reports and publications" making it difficult to find unless via thorough online searching for key terms. This is an area that many funds can seek to improve their overall visibility of RI.

Eleven (22%) funds noted that RI was actively promoted to stakeholders, and most of these funds had a specific RI focus that was disseminated through online and member-specific communications.

Generally, funds demonstrated an interest in providing appropriate information with regards to RI, however the form and consistency of that information was not always easily accessible.

Conclusion

This report is the first attempt to capture the ever deeper integration into superannuation of responsible investment approaches. This research has been produced in an effort to help outline leading, comprehensive approaches to RI by citing practices currently being put in place in the market place.

This report finds that great progress is being made in RI within superfunds, with a wide variety of strategies being put in place to operationalise RI beliefs, and some strong efforts being made to transparently communicate these approaches to stakeholders, such as beneficiaries.

However, what we found is that while the choice of RI approaches differs between superfunds, the management of these approaches are not consistently being applied; RIAA welcomes the continued strengthening and systematic delivery of RI approaches across the entire Australia superfund industry.

It is our hope that by providing this Five Pillar Framework, we start a conversation that better articulates the constituent parts of a comprehensive approach to RI within superfunds and other significant asset owners to continue to advance RI across this important economic sector.

APPENDIX: Largest 50 superfunds and their responsible investment approaches

ABOUT THIS TABLE

The data in this table has been sourced from publicly available information obtained through desktop research of superfunds and may not be an accurate representation of all RI activities undertaken by superfunds. It should be noted that approaches do not necessarily comprise a superfund's primary RI strategy or RI beliefs, but that these approaches have been publicly identified as an area of RI in which the fund has some level of activity. The superfunds are organised from largest to smallest by assets under management.

Fund name	Fund category	AUM	Negative/ exclusionary screening	Positive/ best-in-class screening	Screening based on international norms	Integration of ESG	Sustainability themed investing	Impact/ community investing	Active ownership - engagement & voting	No of RI Options (*RIAA Certified)
Australian Government Future Fund	Public Sector	X	X			X			X	
MLC Super	Retail	X	X			X			X	
AustralianSuper	Industry	X				X			X	3
BTFM (Retirement Wrap, ASGARD Independence Plan Division Two)	Retail	X	X	X		X			X	4
AMP Super	Retail	X				X			X	*3
Colonial First State FirstChoice Superannuation Trust	Retail	X				X			X	*1
Qsuper	Public Sector	X	X			X			X	
First State Super	Public Sector	X	X			X			X	*1
UniSuper	Industry	X	X	X		X		X	X	*2
Retail Employees Superannuation Trust (REST)	Industry	X							X	
Sunsuper	Industry	X	X			X	X	X	X	*1
OnePath Masterfund	Retail	X								
HESTA	Industry	X	X			X	X	X	X	1
Commonwealth Superannuation Corporation (Public Sector Superannuation Scheme & Accumulation Plan, Military Superannuation & Benefits Fund No 1)	Public Sector	X				X			X	
Cbus	Industry	X	X			X		X	X	
New Zealand Super Fund	Public Sector	X	X	X	X	X	X		X	
I.O.O.F	Retail	X								
ESSSuper	Public Sector	X				X			X	
Mercer Super Trust	Retail	X	X			X	X		X	2
HOSTPLUS	Industry	X	X			X			X	
Telstra Superannuation Scheme	Corporate	X	X			X			X	
VicSuper	Public Sector	X	X			X			X	1
Macquarie Superannuation Plan	Retail	X				X				
CARE Super	Industry	X	X			X	X	X	X	2

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Fund name	Fund category	AUM	Negative/ exclusionary screening	Positive/ best-in-class screening	Screening based on international norms	Integration of ESG	Sustainability themed investing	Impact/ community investing	Active ownership - engagement & voting	No of RI Options (*RIAA Certified)
Catholic Super	Industry	X				X	X		X	
Mine Wealth and Wellbeing Superannuation Fund	Industry	X					X		X	
Commonwealth Bank Group Super	Corporate	X	X		X	X			X	
LGIA Super	Public Sector	X					X			2
MTAA Superannuation Fund	Industry	X	X			X				
Russell Supersolution Master Trust	Retail	X				X				*1
Australia Post Superannuation Scheme	Public Sector	X								
Vision Super	Public Sector	X	X			X	X		X	1
Qantas Superannuation Plan	Corporate	X							X	
equipsuper	Industry	X	X			X			X	1
Australian Catholic Superannuation and Retirement Fund	Industry	X	X		X	X	X			*1
NGS Super	Industry	X	X			X	X	X		1
Suncorp Master Trust	Retail	X								
Energy Super	Industry	X					X		X	1
Statewide Super	Industry	X			X	X	X		X	1
Avanteos Superannuation Trust	Retail	X								
Westpac Mastertrust - Superannuation Division	Retail	X								
Local Government Super	Public Sector	X	X	X		X	X		X	*6
Oasis Superannuation Master Trust	Retail	X							X	
Rio Tinto Staff Superannuation Fund	Corporate	X								
LUCRF Super	Industry	X	X			X			X	
Media Super	Industry	X				X	X		X	
Perpetual	Retail	X				X	X		X	*4
TWU Super	Industry	X				X			X	1
Christian Super	Retail	X	X	X		X		X	X	*5
Australian Ethical Super	Retail	X	X	X	X	X	X	X	X	*8

DISCLAIMER

The information contained in this report has been prepared based on material gathered via a desktop research of publicly available information and through an information request to firms in the survey sample (see methodology). The report is intended to provide an overview of RI approaches adopted and being implemented by the largest 50 Australian superfunds. The Responsible Investment Association Australasia also scales funds' data found in disclosures, relative to an assessment framework defined by RIAA.

The information in this report is general in nature and does not constitute financial advice. Past performance does not guarantee future results, and no responsibility can be accepted for those who act on the contents of this report without obtaining specific advice from a financial adviser. RIAA does not endorse or recommend any particular firm, fund manager or superfund to the public.

riaa Responsible Investment Association Australasia

RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA

Level 9, 387 George Street
Sydney, NSW 2000 Australia

+61 2 8228 8100
info@responsibleinvestment.org
responsibleinvestment.org