

MEDIA RELEASE

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Responsible investment key to meeting member needs & better performance: PC superannuation report

The Responsible Investment Association Australasia (RIAA) has welcomed the Productivity Commission's draft report *Superannuation: Assessing Efficiency and Competitiveness*, highlighting the importance and benefits of Australia's superannuation capital being invested responsibly to create the Australia its members want to live in and leave behind.

"We agree wholeheartedly with the Productivity Commission's report that our superannuation system needs to work for all Australians, meeting the needs of members and retirees, and delivering high performance," said RIAA CEO Simon O'Connor.

"Responsible investment provides a critical vehicle for Australia's superannuation industry to optimise financial returns for its members. Environmental, social, corporate governance and ethical factors have become critical considerations in investment practice, increasingly impacting upon valuations and investment returns.

"Responsible investment funds are outperforming their average mainstream counterparts year on year, as the market for responsible investment continues to grow in Australia.

RIAA's 2017 Responsible Investment Benchmark Report shows 'core' responsibly invested Australian share funds and balanced multi-sector funds have outperformed their equivalent mainstream funds over 3, 5 and 10-year horizons. Beyond RIAA's own research, these findings have now been supported by academic and industry research from across the world's most esteemed universities and institutions.¹

"The bulk of evidence now clearly concludes that to ignore environmental, social, corporate governance and ethical issues blinds investors to some of the key investment risks that are increasingly determining performance of investment outcomes," said O'Connor.

A new report to be launched by RIAA tomorrow - *Super Fund Responsible Investment Benchmark Report 2018* - will reveal that 81% of Australia's largest super funds are committed to responsible investment (up from 70% in 2016), and 62% report annually on activity, highlighting how deeply responsible investing has become part of Australian investment markets.

This strong uptake by a significant portion of the largest 50 Australian super funds responds precisely to the Productivity Commission's concerns, to deliver better performance for members.

But a responsible investing approach goes one step further – which risks being missed in this current debate – addressing what Australians are increasingly telling us, that they want to ensure their investments and super are not causing harm and are contributing to building a world they want to retire into.

RIAA consumer research has confirmed this desire, with 9 in 10 Australians expecting their super or other investments to be invested responsibly and ethically. 7 in 10 (69%) Australians would rather invest in a responsible super fund that considers the environmental, social and governance issues of the companies it invests in and maximises financial returns, rather than a super fund which considers only maximising financial returns (31%). This attitude has increased by 27% since 2013.

¹ Harvard Business School (2016) ESG Integration in Investment Management: Myths and Realities, *Journal of Applied Corporate Finance*; ESG for All? The Impact of ESG Screening on Return, Risk, and Diversification, *Journal of Applied Corporate Finance* (2016); Can ESG Add Alpha? An Analysis of ESG Tilt and Momentum Strategies, *Journal of Investing*, (2016); Classifying and Measuring the Performance of Socially Responsible Mutual Funds. *Journal of Portfolio Management*, (2016); ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment* (2015); NAB, (2017) *SRI in Australia*, Australian Centre for Financial Studies

“Australians are concerned about fees and performance, but they are increasingly concerned also about the outcomes of their investments on how their biggest investment is shaping the world they will retire into.”

This is not unique to Australia, with the EU just announcing it will be legislating that all pension funds and financial advisers must seek to understand the sustainability preferences of their clients.

“The Productivity Commission rightly puts the focus back on delivering for the customer – Australian citizens. To do this properly, a trifecta of issues must be considered: performance, fees and outcomes – issues that Australians are increasingly seeing are critical to delivering on the superannuation promise.”

“Responsible investment needs to be a part of this response to continue to improve the super system for Australians. RIAA looks forward to engaging with the Productivity Commission on this draft report, including how responsible investment funds will be considered as part of any performance dashboards, and incorporated as a key component of the proposed ‘best in show’ short list of funds” said O’Connor.

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible, ethical and impact investors across Australia and New Zealand.

With over 220 members managing more than \$9 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand.

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