

MEDIA RELEASE

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Super funds that invest responsibly outperform peers – new RIAA study

Australian super funds that comprehensively engage in responsible investment are outperforming their peers over one, three and five-year time frames, a new report from the Responsible Investment Association Australasia (RIAA) has found.

The report also shows that in the face of rising public concern and increasing financial materiality of climate change, the consideration of climate risk by super fund boards continues to grow, but there remains room for improvement.

This third edition of the *Responsible Investment Super Study 2019* presents the results of an annual survey of Australia's 57 largest superannuation fundsⁱ – accounting for \$1.75 trillion in assets under management.

“This year's report shows that Australia's largest superannuation funds - including industry, retail, corporate and public sector funds - are ramping up their engagement in responsible investing to drive superior financial performance, reduce risk, and deliver better outcomes for their members and beneficiaries,” said Simon O'Connor, CEO of RIAA.

81% of Australia's largest super funds are committed to responsible investment (up from 70% in 2016), and 72% report annually on responsible investment activity (up from 44% in 2016), highlighting how responsible investing is increasingly being embedded within Australian investment markets.

13 Australian super funds are identified as leaders for articulating and demonstrating a comprehensive approach to responsible investment – Australian Ethical, AustralianSuper, CareSuper, Cbus, Christian Super, First State Super, Future Fund, Future Super, HESTA, Local Government Super, Unisuper, VicSuper and Vision Super – along with NZ Super Fund.

This year, RIAA compared the MySuper performance of super funds employing responsible investment strategies with the MySuper options of those super funds that are not. The performance data reveals the MySuper option of responsible investment super funds outperform the MySuper option of non-RI super funds over 5, 3 and 1-year time frames.

“The outperformance of responsible investment super funds is even more stark when we considered the performance of our Super Study leaders against the performance of the non-leaders, with outperformance of about 100 basis points over each of the three time periods” said O'Connor. “This reinforces how important the consideration of environmental, social and corporate governance factors is to delivering the best possible outcomes for super fund members.”

“We are encouraged to see a doubling of super fund boards *systematically* considering climate risk, however there's possibly still three quarters of trustee boards inadequately accounting for climate risk in the face of increasing materiality, relevance and rising regulatory expectations” said O'Connor.

Key findings at a glance:

- 81% of super funds have some form of responsible investment commitment in place
- 61% of super funds have a least one negative screen across the whole fund, up from 34% in 2016
- The most popular fund-wide exclusions are tobacco and armaments, followed by fossil fuels
- More than half of super funds offer a total of 88 responsible investment options (compared to 24 funds offering 54 options in 2016). Retail funds offer the largest variety of RI options per fund
- Responsible investment employee numbers have doubled since 2018 and quadrupled since 2016
- The Sustainable Development Goals are being integrated by a range of funds into their responsible investment strategies

“It is pleasing to see Australian super funds putting an increased focus into influencing better company management of environmental, social and governance risks, a key part of delivering better investment outcomes. Super funds are increasingly using their ownership in this way, with some super funds choosing to co-file resolutions on a range of issues including the human rights of asylum seekers, the protection of workers from labour abuses, and the membership of industry associations whose advocacy is inconsistent with the Paris Agreement.

“Yet while there’s improvements in the annual reporting on responsible investing, half the super funds involved in corporate engagement are not reporting on their activities publicly.

“Furthermore, many of our largest super funds are still not showing clients how their money is being invested on their behalf. Just 12% of super funds publish their full equities holdings.

“Our consumer research shows that more than 9 in 10 (92%) Australians expect their super or other investments to be invested responsibly and ethically, and 4 in 5 (78%) Australians would consider moving super or other investments to another provider if their current fund engaged in activities not consistent with their values.

“If the superannuation industry is to realise its potential for delivering long-term retirement outcomes, super funds need to be demonstrating how they are fuelling a productive, prosperous and healthy future for their members. This report shows us that this responsible investment is not just something Australians want, but is a critical part of delivering stronger member outcomes” said O’Connor.

Jean-Jacques Baraberis, Head of Institutional and Corporate Clients Coverage at Amundi said “Responsible Investment is no longer at the perimeter of investment philosophy and practice. It is a mind-set that needs to be central to the member value proposition. We are pleased to partner on this important research and note the results that a focus on responsible investing is paramount to the strategic positioning of the Australian superannuation sector in both return and retention value.”

For more information or for a copy of the Report, please contact Carly Hammond – 0430 448 422
carlyh@responsibleinvestment.org.

ABOUT RIAA:

- The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.
- With over 270 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.

OTHER USEFUL INFORMATION:

- Responsible investment funds are largely outperforming their average mainstream counterparts year on year, as the market for responsible investment continues to grow in Australia. (RIAA’s 2018 *Responsible Investment Benchmark Report*)
- RIAA’s [Responsible Returns](#) online tool connects consumers who care about responsible and ethical investing, with over 150 certified superannuation, banking and investment products that best match their interests.
- Globally, as at 2018 there are US\$30.7 trillion of assets being professionally managed under responsible investment strategies, a 34% increase since 2016. (*Global Sustainable Investment Alliance ‘Global Sustainable Investment Review 2018’*)
- Australia’s responsible investment market continued its upward trajectory in 2018, with \$980 billion in assets under management, a rise of 13% on the previous year. This represents 44% of Australia’s total \$2.25 trillion in professionally managed assets. (RIAA’s 2018 *Responsible Investment Benchmark Report*)

ⁱ Also includes significant asset owners in our region, the two sovereign wealth funds in Australia & New Zealand and the NSW Treasury Corporation (T-Corp)