Super funds that invest responsibly bag greater market share, higher returns

Super funds demonstrating leading practice responsible investment are taking a bigger share of the market and financially outperforming their peers, according to a new study from the Responsible Investment Association Australasia (RIAA).

The study finds that one-quarter of super funds are demonstrating leading practice responsible investment, but these super funds hold 42% of total assets, compared with 28% in 2019.

The study also shows that the majority (77%) of Australia's largest super funds still have work to do in terms of transparency if they are to meet new legislative requirements to disclose their portfolio holdings publicly in 2022.

The fourth edition of RIAA's Responsible Investment Super Study 2021, sponsored by PIMCO, presents the results of a biennial survey of Australia's largest super funds – accounting for $1.9 trillion in assets under management.

The Super Study shows super funds that implement leading practice responsible investment continue to outperform their peers financially (87 basis points over 1 year and 56 over 7 years). The average performance of leading responsible investment super funds' My Super products is better than non-leaders over 3-, 5- and 7-year timeframes.

“This year's report shows super funds that are doing responsible investment well are seeing their funds grow, leaving laggards at risk of losing market share,” said Simon O'Connor, CEO at RIAA.

“Australians are realising the often superior financial performance of leading responsible investment super funds, and are moving their money to reap not only the benefits for society and the environment, but their retirement savings as well,” he said.

The report shows that in the face of rising public concern and increasing financial materiality of climate change, 92% of funds indicate that climate risk is actively assessed at a trustee/board level; up from 74% in 2019 and 64% in 2018.

13 Australian funds are identified as leading responsible investment super funds for demonstrating

---

1 Including the largest 48 superannuation funds in Australia, regulated by the Australian Prudential Regulation Authority (APRA), as well as five other asset owners that pursue underrepresented responsible investment approaches (notably faith-based) or underrepresented sectors (public or retail super funds).
commitment to good governance and accountability; implementing and measuring responsible investment approaches through activities such as engagement and voting and ESG integration; properly measuring outcomes; and having a high degree of transparency. They are Active Super, Australian Ethical Super, AustralianSuper, Aware Super, BT Superannuation, CareSuper, Cbus, Christian Super, HESTA, Mercer Superannuation (Australia) Limited, Rest, UniSuper and Vision Super.

Greater gender balance on super fund boards is a hallmark of leading responsible investment super funds – while leaders only make up a quarter of total funds, they have 44% of the total gender-balanced boards.

Leading responsible investment super funds also employ a team of ESG/responsible investment staff, which allows them to deliver responsible investment in a more systematic manner than non-leaders.

“Asset owners in Australia and New Zealand are bellwethers for sustainable investing in the Asia region and globally, which makes the results of this study showing their increasing commitment to responsible investment practices, particularly encouraging,” said Ryan Korinke, Global Head of Sustainability at PIMCO.

For the first time, responsible investment approaches are influencing strategic asset allocation for the majority of super funds (55%, up from 39% in 2019). This means that responsible investment practices are considered when allocating capital between asset classes, meeting financial return targets, and reflecting risk tolerances and time horizons.

For further information or to arrange an interview with RIAA CEO Simon O’Connor, please contact:

Katie Braid:
katie@responsibleinvestment.org  
+61 405 177 346

or

Carly Hammond:  
carlyh@responsibleinvestment.org  
+61 430 448 422