



MEDIA RELEASE

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Responsible investments outperform mainstream super options post-GFC, but little take up

Contradicting the theory that when times are tough personal values are thrown out the window, sustainability has remained at the forefront of debate as we emerge from the economic recession that took hold over the last three years. After a comprehensive review of over 70 major Australian super funds, covering over 14 million member accounts and representing \$390 billion in assets, SuperRatings' Fund Sustainability Review has identified that just 10 funds can truly lay claim to be market leaders in addressing environmental and social commitments within their funds.

Further, SuperRatings' "Sustainable" monthly fund option performance survey, for the period ended 31 March 2010 has shown that going down the sustainable route does not necessarily impede performance, with both the "SR Sustainable Shares Index" and the "SR Sustainable Balanced Option Index" both outperforming their more favoured mainstream Australian Share and Balanced options (see below). The results infer that long term performance is not hindered by giving due consideration to environmental, social or governance issues. In fact, the opposite can be seen in the first illustration, with the SR Sustainable Australian Shares Index outperforming the traditional SR50 Australian Shares Index by over 1.5% per annum over the last 5 years, leaving those members some 8% ahead of their mainstream counterparts over the same period.

SUSTAINABLE FUND OPTION PERFORMANCE OVER LAST 5 YEARS

Option Type	1 Mth	Qtly	FYTD	1 Year	3 Year	5 Year
SR Sustainable Australian Shares	5.53%	1.37%	27.35%	38.89%	-1.69%	9.54%
SR50 Australian Shares Index	5.22%	1.22%	25.46%	38.92%	-1.04%	7.99%

For periods ended 31 March 2010

Option Type	1 Mth	Qtly	FYTD	1 Year	3 Year	5 Year
SR Sustainable Balanced Median	2.91%	1.31%	13.89%	19.52%	-1.37%	4.89%
SR50 Balanced Index	2.90%	1.62%	13.95%	18.40%	-1.47%	4.87%

For periods ended 31 March 2010

The industry review also noted that improvements in sustainable practices were observed in both investment and fund operations, however, were mainly concentrated on the investment side. During the year, a flood of super funds have incorporated responsible investment principles into their investment processes. Funds appear to be responding to increased consumer demand for clear sustainability practices; increased competition; the threat of Government initiatives and their own personal desire to do the right thing. Contradictory to this however, is the low level of money currently invested in SRI options, often less than 1% of total fund assets, indicating that whilst members support sustainability practices, few are proactive in actually doing anything about it, indicating that once again funds will need to take the initiative.



Highlights of the SuperRatings Fund Sustainability Review

- The review established that super funds believe their major hurdles with regard to climate change are: regulatory uncertainty; a perceived conflict of interest between the trustee's Fiduciary Duty of obtaining the best return for members and 'doing the right thing'; and member education on sustainability issues
- Just 6% of funds consider themselves carbon neutral, whilst carbon reporting remains an under recognised behaviour with less than half of funds (48%) measuring their levels of carbon, energy, water or waste
- two thirds of funds agree that climate change is a serious threat and four out of five funds believe they have a responsibility to operate in a sustainable manner
- the number of funds taking a whole of fund ESG approach has increased fivefold during 2009, with funds no longer relying on just offering an SRI option.
- Just 38% of funds seek to educate members on sustainability issues while less than half (47%) of funds openly communicate their stance on climate change
- Overall, the volume of funds that pay tribute to Environmental, Social or Governance (ESG) considerations is significantly higher than last year with 71% of funds now considering ESG criteria in their investment approach. Of the factors, social concerns were the most widely embraced, followed closely by governance related issues and last on the agenda were environmental concerns
- Within the various investment strategies, listed shares (particularly domestic) have typically been the asset class most commonly viewed in a responsible light, however with that in mind a staggering popularity for 'green property' has emerged over the last two years
- Communication with service providers is reasonably poor with a mere one third of funds having a standardised approach for communicating responsible investment requirements to service providers and a further 20% having an ad-hoc approach
- Sustainability Policies are becoming more popular with almost half of funds now housing a policy that addresses Operations, Investment, Employment Practices or Corporate Social Responsibility (CSR)
- Collaborative groups such as the Australian Council of Super Investors (ACSI), ESG Research Australia, the Responsible Investment Association Australasia (RIAA) and the United Nations Principles for Responsible Investment (UNPRI) have been monumental in shaping the strong position of the superannuation industry today in respect to sustainability

Room for improvement

Aside from investment considerations, funds also have an operational responsibility in respect of sustainability. The review noted that most funds are now making at least minor improvements with the intent of lowering their carbon footprint. However, while changes are clearly being made there is little evidence to substantiate this. The main weakness of the sector overall is a lack of transparency with just 47% of funds openly communicating their stance on climate change, and few demonstrating practical examples of implementing complete responsible investment principles. The challenge going forward is to educate fund members. Education has the power to be one of the key drivers in promoting public awareness of climate change and funds have a strong member base to teach. However ongoing education with regard to sustainability is yet to be widely embraced.



Still Only 10 Funds Qualify for “Infinity Recognition”

Results from the 2010 SuperRatings Fund Sustainability Review identified only 10 funds, out of over 70, to be demonstrating a genuine commitment to addressing environmental and social responsibilities. Listed in alphabetical order the commended funds are:

- AMP Super (Signature Super, Flexible Lifetime, Custom Super)
- Australian Ethical Retail Super Fund
- BT Super for Life
- Catholic Super
- Christian Super
- Health Super Fund
- HESTA Super Fund
- Statewide
- UniSuper Fund
- Vision Superannuation Fund

Special recognition was also given to Australian Catholic Superannuation and Retirement Fund, Cbus, ESSSuper and Local Government Super who stood out for their significant progress made during 2009 in influencing responsible investment.

Christian Super is named the Infinity Award Winner for 2010

The 2010 Infinity Award went to Christian Super for displaying a sound investment charter, which is 100% ethically managed, and for their complete transparency in communicating with their members. The award recognises the superannuation fund that demonstrates the most genuine commitment to addressing its environmental and social responsibilities. Christian Super is a small Sydney based fund that has been a long running advocate of ethical investment since 1984. Their \$450 million under management is invested in accordance with Christian stewardship principles leading them to house the strongest, most mature ethical investment charter in the industry today.



RELEASE ENDS

SUPERRATINGS

To encourage and where necessary create disclosure within the Superannuation industry.



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