

28/03/2018

Foreign Affairs, Defence and Trade Committee  
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Dear Sir/Madam

**Re: AUSTRALIANSUPER SUBMISSION TO THE SENATE INQUIRY INTO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG)**

AustralianSuper welcomes the opportunity to make a submission to the above inquiry.

**About AustralianSuper**

AustralianSuper is Australia's largest single superannuation fund and is run only to benefit members. We don't pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. The fund has over 2.2 million members and manages over \$130 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for members.

**Key Points**

This submission addresses section a, b, d and h of the terms of reference which we believe are most relevant from an asset owner perspective and makes the following key points:

- AustralianSuper is aware that the SDG offer a globally recognised benchmark for sustainable development and we consider this framework to align with our objective to deliver long-term sustainable returns to members.
- We support strategic efforts for greater understanding of the SDG across the Australian government, business community and the broader Australian community.
- At the company and sector level, the SDG may indicate specific investment themes and also present potential risks or opportunities that could impact on the long-term value of a particular asset, company or sector.
- For large asset owners, such as AustralianSuper, the SDG may also support improved investment outcomes from a universal owner perspective to the extent the SDG foster long-term sustainable economic growth.
- AustralianSuper, in conjunction with industry peers, is supporting an SDG Baseline Report by Monash Sustainable Development Institute to provide an

initial assessment of how Australia is performing against the SDG and its trajectory in key domains.

Please also note that AustralianSuper generally supports the submission made by Australian Council of Superannuation Investors (ACSI) in response to the abovenamed inquiry.

### **Sustainable Investment and Support for the SDG**

AustralianSuper believes that environmental, social and governance factors can affect the value of investments, particularly over the long-term investment horizon which underpins AustralianSuper's approach to investment.

As a long-term shareholder, how investee companies manage environmental, social and governance factors matters because we believe that companies that best manage these factors present sustainable business models and are therefore likely to outperform over the long term.

AustralianSuper is aware that the SDG offer a globally recognised benchmark for sustainable development and we consider this framework to align with our objective to deliver long-term sustainable returns to members. Therefore we believe that it is integral that business planning and investment decisions are considered in the context of the SDG.

We note that some areas of the business community and the superannuation industry are also on a pathway to understanding how their long-term objectives interact with the SDG. However, awareness and understanding is still lacking in the broader business and investment community and it is for this reason that AustralianSuper supports strategic efforts for greater understanding of the SDG across the Australian government, private sector and the broader Australian community.

### **Investment Risks and Opportunities in Relation to the SDG**

AustralianSuper believes that meeting the challenges of sustainable development presents both major business opportunities and risks in the coming decades. From an investment perspective, the SDG provide risks and opportunities for investors in relation to specific company or sector investments. For large asset owners, such as AustralianSuper, the SDG may also support improved investment outcomes from a universal owner perspective.

#### *Company and Sector Level*

At the company and sector level, the SDG may indicate specific investment themes and also present potential risks or opportunities that could impact on the long-term value of a particular asset, company or sector.

From a thematic perspective, there are a range of business opportunities associated with meeting the SDG. These opportunities relate primarily to technological and product innovation. For example new healthcare solutions, low carbon and carbon



reduction technologies, infrastructure development and education strategies. These possibilities give established businesses the opportunity to grow and new businesses the opportunity to launch by filling gaps in the market created by sustainable development. We believe that companies and sectors that take advantage of these opportunities will be well-placed to thrive in the changing marketplace.

There are also a number of thematic risks associated with meeting the SDG. Certain companies and sectors may not be well-placed to succeed in an economy focused on sustainable development. For example carbon intensive and water intensive companies or sectors need to examine the reputational and transition risks associated with their long-term business models and adapt accordingly. We believe that companies and sectors that ignore the global move towards sustainable development risk their long-term viability.

More broadly, the SDG also provide companies an indication of the issues of importance to society and thus the issues to which a company is expected to respond in exchange for a social licence to operate. For example, in a society focused on sustainable development, companies are expected to consider gender equality (SDG5) in their operations and human rights in their supply chains (SDG16). These expectations represent both value-creation opportunities for industry leaders and risks for industry laggards, particularly given the likelihood that companies will be benchmarked against the SDG.

#### *Universal Ownership*

As an asset owner, AustralianSuper is a 'universal owner' in the sense that on behalf of members, we manage large, diversified, long-term portfolios representative of the total economy and broad capital markets. As a result, we have an interest in fostering sustainable long-term economic growth and sustainable financial systems in order to protect and enhance members' investment interests.

By indicating a pathway to foster sustainable economies and long-term economic growth, the SDG offer an opportunity for AustralianSuper and other asset owners to seek and encourage improved universal ownership outcomes.

In addition, by encouraging economic growth that is socially fair and environmentally responsible, the successful implementation of the SDG in Australia will inevitably improve not only members' investment interests but also our members' quality of life more broadly.

Taking both the company-sector level and universal ownership perspectives discussed above, the SDG represent a framework that may assist with investment insights and opportunities. In addition, they may also provide framework for long-term sustainable development and therefore overall improved universal owner and quality of life outcomes. In this sense AustralianSuper holds both an investment and broader societal interest in the development, monitoring and reporting of the SDG and believes that there are broad-ranging benefits and opportunities in the domestic implementation of the SDG.

## **Monitoring and Communicating Performance against the SDG**

One of the highest priorities identified at the Australia SDG Summit in 2016 was a coherent analysis of how Australia is currently performing against the SDG. In order to effectively monitor and communicate performance against the SDG, understanding the point at which Australia is starting from is crucial.

In order to assist with this challenge, AustralianSuper, in conjunction with industry peers, is supporting an SDG Baseline Report by Monash Sustainable Development Institute to provide an initial assessment of how Australia is performing against the SDG and its trajectory in key domains.

We anticipate that this report will help inform and support business efforts to manage risks and effectively take advantage of opportunities available in meeting the SDG. We also expect that this report will be utilised to communicate the relevance of the SDG and to assist in the monitoring of national performance against the Goals.

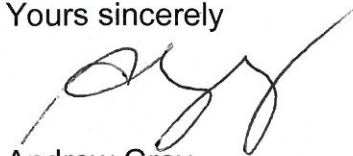
## **Examples of International Best Practice**

There are a number of countries such as Germany and Finland that have demonstrated high levels of commitment and support to the national implementation of the SDG. These nations have identified national priority areas and AustralianSuper supports the Australian government in clearly identifying national priorities for Australia. We believe that understanding where the opportunities and priorities lie in the domestic implementation of the SDG will more clearly engage the private sector and deliver greater investment certainty.

Germany and Finland have also engaged the private sector in their national strategy to meet the SDG. In developing a national strategy for Australia, we encourage the Federal Government to follow this lead and include the Australia's private sector in strategic planning. By including this sector, AustralianSuper believes that large asset owners in Australia will be engaged and willing to contribute to the domestic implementation of the SDG, ultimately putting Australia on a more sustainable path.

If you have any questions of us or would like further information please do not hesitate to contact Claire Heeps on 03 8648 3848 or [cheeps@australiansuper.com](mailto:cheeps@australiansuper.com) in the first instance.

Yours sincerely



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