AustralianSuper Chief executive and President of Australian Council of Superannuation Investors (ACSI) Ian Silk – Opening address to 2021 Annual Conference

July 21, 2021

Introduction

Good morning everyone.

I would like to acknowledge the traditional custodians of the various lands that we're meeting on today – in my case here in Melbourne the Wurundjeri People of the Kulin nation. I pay my respects to their Elders past, present and emerging, and extend that respect to all first nations people participating in this conference.

A very warm welcome to you all.

Today's program includes an excellent line up of speakers who I am sure will make it an informative and insightful day for all of us.

COVID-19

A lot has happened since ACSI's last conference two years ago. Few would have predicted the scale and reach of the pandemic nor the challenges it has presented us all.

For super funds as long-term investors, prudent stewardship of members' savings has never been more important.

ESG standards improve

With ACSI celebrating its 20th birthday, it's timely to reflect on how far the management of ESG issues has come since 2001.

Two decades of active company engagement and research on ESG issues has supported ACSI members in building retirement savings for superannuation fund members.

In 2020 alone, ACSI held more than 300 company meetings with almost 200 ASX listed companies. ACSI conducts a comprehensive company engagement program on many ESG issues including climate change, executive remuneration, ESG disclosure standards and diversity on boards.

Boards have listened and responded. The level and quality of ESG reporting in the ASX200 has significantly improved over the past two decades. For example, where only 39 companies reported at a level considered 'leading' in 2008, that number now stands at 120. Importantly, now only 13 companies are not reporting any ESG disclosures.[1]

This increase in transparency and accountability helps the superannuation sector assess ESG investment risk and effectively engage with companies to seek improvements in performance.

Financial interests of investors and members

Investing in the best financial interests of superfund members means being active on ESG issues today, so that

[1] https://acsi.org.au/research-reports/esg-reporting-trends-in-the-asx200-2/

the funds can deliver strong financial performance in the future.

In most cases there is a clear relationship between:

a company's performance on ESG issues,

it's corporate performance, and

it's investment performance for investors including, ultimately, members of super funds.

The recent release of the EOFY investment results of super funds yet again demonstrates that as a rule the Funds that treat ESG seriously, are the Funds that perform best in absolute and relative terms.

This is no surprise to those of us who recognize that most strong performing companies are those that take ESG issues seriously in the running of their businesses. And similarly, investors who embed ESG considerations in their investment programs are those that typically generate the strongest investment performance.

ESG issues are ultimately investment and financial issues.

It's not magic, it's simply smart investing.

The world is moving on big ESG issues, so must superfunds

Superfunds are being challenged – including by regulators and members - to do more on ESG issues. That is why the work of ACSI is so important.

For example climate change remains one of the most pressing ESG issues facing investors today.

Australian companies are heavily exposed to climate change risks, with regulators clearly outlining expectations for companies and investors in addressing these risks.

ASIC has noted that "disclosing and managing climate-related risk is a key director responsibility."

APRA has similarly said that climate risks "are material, foreseeable and actionable now".

Internationally, the pace of action on climate change is increasing rapidly.

68 per cent of the world's GDP is covered by net zero commitments at or near mid-century, as are companies with $US14 trillion in annual sales.[2]

Globally, investors are increasingly focused on ESG issues.

For example, the international Principles for Responsible Investment was established in 2006. Since that time it has gained 4,000 signatories representing over 104 trillion US dollars in assets under management all of whom have committed to integrating ESG in their investment processes.

Proxy proposal a backward step

However, progress on this front and the consequent financial benefit for members of super funds would be threatened by recent proposals released by the Federal Government. For those who haven't done so I

[2] https://ca1-eci.edcdn.com/reports/ECIU-Oxford_Taking_Stock.pdf?mtime=20210323005817&focal=none

recommend reading ACSI's submission regarding the proposals.

Today I briefly want to address a couple of the proposals including the proposal that would require super funds to be independent of proxy advisers.

Proxy advisers provide investors with a level of analysis that would be difficult and more costly to generate themselves. ACSI helps super funds be more efficient by pooling resources to ensure they are comprehensively and independently informed.

The Government's proposal would ultimately undermine the financial outcomes for superannuation beneficiaries by rendering this system less effective.

Both the Business Council of Australia and the Australian Institute of Company Directors have rejected the proposal targeting ACSI.

In 2018, ASIC reviewed the proxy advice sector and found no issues. In the three years since this review, there have been only two complaints made against any proxy advice report across the market.

Super funds are required by law to act in the best financial interests of their members and through ACSI membership, they are doing exactly that.

To be prudent stewards of capital and to act in their members' best interests, investors must remain focused on ESG issues in their portfolios.

The Government proposal to make super funds independent from a proxy adviser – read 'ACSI' - is counter to this.

President succession

As President of ACSI over these past four years, I've been honoured to be part of the organisation's important work on ESG issues.

My term as ACSI President expires shortly, and this will be the last time I address the ACSI Conference as President.

I'm delighted that ACSI has continued to achieve strong results for members, elevating ESG risks and issues through engagement, research, advocacy and advice to investors.

This has provided an important foundation for funds seeking the best financial outcomes for their members.

I am pleased today to announce that the ACSI Board has elected the next ACSI President who will succeed me when my term expires next month – Debby Blakey, CEO of HESTA.

Debby has been a strong advocate of the importance of focusing on ESG issues, and will be an excellent President supporting the ACSI team on delivering outcomes in the best financial interests of millions of super fund members.

I would like to thank, and recognize the terrific contribution, of ACSI's Deputy President Antony Thow, whose term is also ending. I am also delighted to announce that the new Deputy President of ACSI, will be Michelle Gardiner, a Trustee Director of Caresuper.

I want to recognize Louise Davidson who has done a magnificent job as CEO of ACSI. It has been a privilege to work alongside her and observe her leadership and the great contribution she has made to the investment industry in Australia.

Conclusion

Over the past two decades, ESG issues have helped shape the global landscape. The more insight and understanding we have on the risks and opportunities they present, the better the financial outcomes will be for companies, investors and importantly, super fund members.

The ACSI Conference today gives us the opportunity to hear from a fantastic range of speakers, and be exposed to new ideas. At the end of the Conference I trust that we will all be in a better position to use ESG considerations to enhance corporate and investment performance, and ultimately improve the retirement savings of super fund members.