

Speaking up for super members

Australians reflect on active ownership

January 2025



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Glossary of key terms used in this report

- **Environmental, social and governance (ESG) factors:** a wide range of environmental, social and governance factors used (in addition to traditional financial analysis) to evaluate an investment's ability to provide risk-adjusted returns over the long term. These can include environmental factors such as climate change mitigation and resource efficiency; social factors such as labour practices, health and safety, and diversity and inclusion; and governance factors such as board remuneration and independence, executive compensation and corporate governance.
- **Active ownership:** also known as stewardship, the use of investor rights and influence which aims to protect and enhance overall long-term value for clients, members and beneficiaries. This can include consideration of financially material ESG issues.
- **Asset owner:** an institutional entity (also known as an institutional investor) that owns capital or assets, which are then invested to generate returns. Superannuation funds are asset owners that invest money on behalf of their members.
- **Sustainable growth:** in the context of superannuation investments, sustainable growth refers to the ability of an investment portfolio to achieve consistent, long-term financial performance while integrating environmental, social, and governance (ESG) considerations. This approach seeks to ensure that growth is not only economically viable but also resilient to future risks.
- **Sustainable value creation:** refers to the process of generating long-term financial returns for superannuation fund members by investing in assets and companies that seek to manage material risks relating to environmental, social or governance issues.

Executive summary

Active ownership, often referred to as ‘investor stewardship’, describes an approach to investment under which asset owners engage with companies to influence governance, policies, practices and management with a view to the long-term financial benefit of clients, members and beneficiaries. This can include consideration of financially material environmental, social and governance (ESG) factors.

Over the past few decades, active ownership has been formalised and recognised by regulators and financial institutions in multiple jurisdictions and adopted by many of the world’s largest and most influential investors, including many Australian superannuation funds.

These funds believe active ownership can play an important role in long-term value creation for superannuation fund members. By actively engaging with the companies in which they invest, asset owners have an opportunity to influence corporate behaviour and improve ESG practices, mitigating risks and enhancing the value of investments for their members. Engagement from superannuation funds is one of the influences that has resulted in increasing disclosures on ESG risks, and their approach to management of those risks, among ASX-listed entities.

This report outlines the national and international research evidence – including large aggregate studies that synthesise multiple datasets – that supports the claim that active ownership practices can enhance company performance over both the long and short term by managing material ESG risks. These studies show that, at least in the longer term, strong ESG performance generally correlates with lower risk profiles, reduced costs and greater capacity for sustainable growth.

While many Australian superannuation funds currently engage in active ownership, there has been little publicly available research to date that explores Australian superannuation consumers' levels of awareness of and support for the approach – or indeed their views on how their funds approach investment at all. In response to this gap in knowledge, this report also outlines key findings from quantitative and qualitative research conducted by The Insight Centre on Australian superannuation consumers' existing awareness of active ownership, and their levels of support for active ownership, and alternative approaches, when they are made aware of what it entails.

Key findings from the consumer survey of 1,908 Australian super fund members include:

- While baseline awareness of active ownership as a concept is low, a strong majority of super fund members support superannuation funds engaging in active ownership practices:
 - Nine in 10 (92%) surveyed want their superannuation fund to invest in companies that have a positive impact on people, communities and employees.
 - Nine in 10 (91%) agree funds should use their influence to encourage good governance.¹
 - Nine in 10 (90%) want their superannuation fund to encourage the companies it invests in to manage the risks of unfair treatment of workers.
 - Eight in 10 (81%) want their fund to use its ownership status to encourage responsible environmental management on issues that affect performance and returns.

- Australian super fund members strongly prefer their fund engage in active ownership over limiting their engagement with companies or taking a divestment approach. When provided with descriptions of each approach:

- Eight in 10 (79%) consumers say they would prefer their fund to engage in active ownership over divestment approaches.
- Seven in 10 (71%) consumers prefer their fund to engage in active ownership over limited engagement.

Overall, these findings indicate strong organic support for active ownership and a strong alignment between member expectations and active ownership principles.

The report concludes that active ownership represents a useful strategy for superannuation funds that aims to enhance and protect member returns, at least in the long term. As awareness of active ownership grows, superannuation funds have an opportunity to further engage with their members, enhancing transparency and trust. The research is also relevant to regulators, policymakers, boards and executives, who can take confidence that the widespread acceptance of this approach in the financial sector is reflected in consumer support.

¹ We define good governance for the purposes of this report as effective board governance that creates the conditions in which sustainable long-term investment can prosper. Good governance entails boards considering and overseeing material ESG risks at the company.

Introduction

This report was commissioned by the Australian Council of Superannuation Investors (ACSI) and was written by The Insight Centre. The Insight Centre is an independent social and market research agency. ACSI asked The Insight Centre to conduct quantitative and qualitative consumer research with Australian super fund members on the issue of active ownership, and to report on findings from this research along with an overview of existing secondary research on active ownership, ESG performance and financial performance.

This resulting report explains the practice of active ownership and summarises recent national and international research studies into how active ownership can mitigate risk and support the best financial interests of super fund members. It also outlines the findings from consumer research conducted by The Insight Centre in February 2024 into what superannuation fund members in Australia think about active ownership practices.

This consumer research included a survey with a national population sample of Australian super fund members, and follow-up qualitative online focus groups with fund members from across different consumer segments identified in the survey. Direct participant quotes in this report are taken from focus group transcripts. Full details of the consumer research methodology can be found in Appendix A.



[Active ownership] sounds good to me. It sounds like superannuation funds [are] helping us to grow our super and helping companies to be more responsible in their decision making.”

– Woman, 54, New South Wales

FIRST NATIONS CASE STUDY

Companies face significant risks when they neglect the rights and cultural heritage of First Nations people who are impacted by their operations. To address these issues, ACSI and other institutional investors initiated a Working Group in 2020, focusing on improving corporate engagement with First Nations communities. This includes encouraging companies to align their practices with international human rights standards and improve their relationships with First Nations people, as well as recommending boards be held accountable. Over the past few years, we have seen some improvements in corporate disclosures and dialogue, for example from companies such as Rio Tinto and BHP. There are significant further improvements to be made, so investors will continue to engage with various high-risk companies on these issues. Additionally, ACSI has contributed to law reform consultations to seek to better protect First Nations' rights and continues to work on fostering constructive relationships between companies and First Nations groups.

What is active ownership?

Active ownership involves the use of investor rights and influence that aims to protect and enhance overall long-term value for clients, members and beneficiaries. Superannuation funds focus on ESG matters that they consider are financially material. It is an approach to investment management whereby asset owners encourage sustainable value creation by engaging with and influencing the companies in which they invest.² As ‘stewards’ of capital, asset owners can exercise this influence over their assets on behalf of others.³ With millions of Australians’ superannuation contributions invested across the economy, Australian superannuation funds have a significant ownership stake in the nation’s biggest listed companies. Many of these funds engage in active ownership practices on behalf of their members, with the aim of supporting long-term value for their members’ investments.

Active ownership encompasses a range of activities, including voting at company Annual General Meetings (AGMs), engagement meetings with company leadership (the board and executives) (‘company engagement’), and public policy engagement.

Specific activities can include:

1. Engaging the companies in which asset owners invest to discuss the company’s performance and strategy and to raise any issues of concern, with the overall aim to influence their approach to ESG practices, outcomes and disclosures;
2. Addressing issues such as company strategy, leadership, remuneration and ESG practices in shareholder meetings, which may involve exercising shareholder voting rights or filing shareholder resolutions and/or proposals; and
3. Undertaking policy advocacy that seeks to better align the policy environment with the interests of long-term investors and their beneficiaries.

² Australian Council of Superannuation Investors (2024). Australian Asset Owner Stewardship Code <https://acsi.org.au/wp-content/uploads/2024/05/Australian-Asset-Owners-Stewardship-Code.14.05.24.pdf>. Principles for Responsible Investment (PRI) (n.d.). Stewardship <https://www.unpri.org/download?ac=12686>.

³ Katelouzou, D. (2023). Investor stewardship: The state of the art and future prospects. In J. N. Gordon & W. Ringe (Eds.), *The Oxford handbook of corporate law and corporate governance*, 2nd ed. (Forthcoming) Oxford University Press. <https://ssrn.com/abstract=4470704>.

What is ESG and how are ESG factors financially material?

'Financial materiality' refers to the significance of information or events that could influence the decisions of investors, shareholders, or other stakeholders. Information is considered financially material if it has the potential to impact the financial performance or long-term sustainability of a company.⁴ There is a growing body of international research that demonstrates how ESG factors can be financially material. This demonstrates, in turn, the potential for active ownership to enhance financial performance through encouraging better management of ESG risks. This section outlines key research evidence on the financial materiality of ESG factors. First, it focuses on the specific material impacts of each dimension of risk – environmental, social and governance – followed by an analysis of key research studies that suggest better management of ESG issues correlates with financial performance.

It is widely evident that companies of many kinds are materially vulnerable to environment-related events and risks, but also that they potentially contribute to environmental degradation in ways that increase wider risk for societies and economies. Environmental risks have measurable impacts on economic assets. For example, biodiversity losses threaten between 40 and 50% of global GDP.⁵ Climate change remains one of the most significant environmental risks for the global economy, including the potential impacts of storm damage, rising sea levels, wildfires and more frequent extreme heat.⁶ The Stern Review,⁷ a comprehensive and independent review of the economic costs of climate change, assessed a wide range of evidence and used a number of different techniques to assess costs and risks, finding that the benefits of acting to mitigate negative impacts far outweigh the economic costs of taking no action. Other studies that assess international evidence show the potential for climate disruption to weaken financial stability.⁸

4 BDO Australia (2018). IASB amends definition of 'material' <https://www.bdo.com.au/en-au/content/accounting-news/accounting-news-november-2018/iasb-amends-definition-of-material>.

5 Ly, L., Longevialle, B. D., Jus, M., & Lemos-Stein, G. (2022). Materiality mapping: Providing insights into the relative materiality of ESG factors. S&P Global.

6 Risky Business Project (2014). National report: A climate risk assessment for the United States https://riskybusiness.org/site/assets/uploads/2015/09/RiskyBusiness_Report_WEB_09_08_14.pdf.

Risky Business Project (2016). From risk to return: Investing in a clean energy economy <https://riskybusiness.org/site/assets/uploads/sites/5/2016/10/RBP-FromRiskToReturn-WEB.pdf>.

7 Stern, N. (2007). *The Economics of Climate Change: The Stern Review*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511817434>.

8 McKibbin, W. J., Morris, A. C., Panton, A., & Wilcoxon, P. (2017). Climate change and monetary policy: Dealing with disruption. CAMA Working Paper No. 77/2017. Available at SSRN: <https://ssrn.com/abstract=3084399> or <http://dx.doi.org/10.2139/ssrn.3084399>.

Liu, Z., He, S., Men, W., & Sun, H. (2024). Impact of climate risk on financial stability: Cross-country evidence. *International Review of Financial Analysis*, 92, 103096. <https://doi.org/10.1016/j.irfa.2024.103096>.

Le, A. T., Tran, T. P., & Mishra, A. V. (2023). Climate risk and bank stability: International evidence. *Journal of Multinational Financial Management*, 70, 100824. <https://doi.org/10.1016/j.mulfin.2023.100824>.

Social factors can also be financially material. As well as taking a human toll on employees and stakeholders, social risk has potential financial consequences, with workplace injuries, illnesses and fatalities bearing direct and indirect financial costs to businesses including workers' compensation premiums and payments, loss of productivity, legal and regulatory costs, and employee engagement and retention.⁹ Further, jobs and occupations which are associated with lower levels of workplace safety also attract a wage premium.¹⁰

A study from 2022 shows that if work-related injuries or illnesses were eliminated, Australia's economy would be on average \$28.6 billion larger each year, equating to around 1.6% of annual Gross Domestic Product (GDP).¹¹ Modern slavery also presents risks to a company's profitability, including reputational risk, operational risk and legal and regulatory risk.¹² Workplace diversity, equity and inclusion are other social factors that may have material impacts. The absence of an inclusive work culture can incur significant costs and risks, driven by high staff turnover, low productivity and low employee engagement. Globally, an absence of inclusive work cultures is estimated to cost companies US\$3.7 trillion annually, including US\$1.35 trillion in the Asia Pacific region.¹³

Broadly, governance factors refer to how companies are structured and managed at all levels, and include oversight of the board over material risks, setting executive pay, and the makeup of the board (including board diversity).¹⁴ Asset owners want to see good governance that aligns with the interests of their stakeholders and delivers shareholder value.¹⁵ As with social and environmental factors, governance attributes can be financially material. Poor governance rankings may indicate mismanagement, which can jeopardise capacity to take advantage of business opportunities.¹⁶ Research on the correlation between corporate governance and company performance demonstrates that companies with weaker corporate governance generally have lower returns than those with stronger governance.¹⁷



I think [active ownership] is definitely a good idea because it's being a responsible [superannuation fund] and it's trying to grow my super rather than just resting on their laurels."

– Woman, 49, South Australia

9 Safe Work Australia (2014). The Business Case for Safe, Healthy & Productive Work. <https://www.safeworkaustralia.gov.au/system/files/documents/1702/business-case-for-safe-healthy-productive-work.pdf>.

10 Heaney, R. and Irlight, L. (2007). The impact of occupational health and safety policy on firm value. *Economic Papers*, 26(4), 308-320. <https://doi.org/10.1111/j.1759-3441.2007.tb01017.x>.

11 Safe Work Australia (2022). Safer, healthier, wealthier: The economic value of reducing work-related injuries and illnesses. https://www.safeworkaustralia.gov.au/sites/default/files/2022-10/final_safer_healthier_wealthier_theeconomic_value_of_reducing_work-relatedinjuries_and_illnesses_-_summary_report%2002.pdf.

12 Sustainability Accounting Standards Board (SASB) (2027). SASB Conceptual Framework. <https://sasb.ifrs.org/wp-content/uploads/2019/05/SASB-Conceptual-Framework.pdf>.

13 Accenture (2020). Getting to equal 2020: The hidden value of culture makers <https://www.accenture.com/content/dam/accenture/final/a-com-migration/thought-leadership-assets/accenture-getting-to-equal-2020-research-report.pdf>.

14 World Economic Forum (2022). Defining the 'G' in ESG Governance Factors at the Heart of Sustainable Business. https://www3.weforum.org/docs/WEF_Defining_the_G_in_ESG_2022.pdf.

15 Amba, S. M. (2014). Corporate governance and firms' financial performance. *Journal of Academic and Business Ethics*, 8(1), 1-11.

16 S&P Global (2020). What is the G in ESG [webite]. <https://www.spglobal.com/en/research-insights/market-insights/what-is-the-g-in-esg>.

17 Brown, L. D., & Caylor, M. L. (2004). Corporate governance study: the correlation between corporate governance and company performance. *Corporate Governance Study*, Institutional Shareholder Services.

Addressing governance issues can provide protection in the short term. For example, governance practices can protect against event risks like fraud, data security or product safety, which can immediately influence share prices.¹⁸ However, corporate governance also impacts long-term horizon risk, with evidence to suggest the implementation of good corporate governance standards can positively impact companies' long-term performance.¹⁹ Board composition and representation can also have significant effects. Multi-country research across 47 countries using data from 3,876 listed companies, for example, shows that gender-diverse boards enhance corporate performance.²⁰

All three of the pillars of ESG outlined above are important and can be cumulative – that is, the aggregation of governance, environmental and social risk factors can contribute to better performance and investor value.²¹ ESG integration in investment decision making seeks to address risks otherwise overlooked by markets, and can address the long-term, systemic risks inherent in ESG issues alongside the short-term risks tied to immediate business conditions.²² Furthermore, alongside lower risk and lower cost of capital, companies with stronger ESG performance have also been shown to have increased operating efficiency and capacity for expansion to new markets.²³

MODERN SLAVERY CASE STUDY

Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) is an investor-led, multi-stakeholder initiative of 49 members. It was convened to promote effective action among companies in the Asia Pacific region to “find, fix and prevent” modern slavery, labour exploitation, and human trafficking in their value chains.²⁴ Currently, IAST APAC has two work streams: 1) company engagement, in which investors engage collaboratively with companies in the Asia Pacific region, including ASX-listed companies, to support them to find, fix and prevent modern slavery in their operations and supply chains; and 2) policy advocacy, in which investors advocate for measures to mitigate the systemic risk of modern slavery.

18 Giese, G., Nagy, Z., & Lee, L.-E. (2021). Deconstructing ESG Ratings Performance: Risk and Return for E, S, and G by Time Horizon, Sector, and Weighting. *Journal of Portfolio Management*, 47(3), 94–111. <https://doi.org/10.3905/jpm.2020.1.198>

19 Rahayu, E., & Feliana, Y. K. (2022). The time horizon of corporate governance effect on firm performance: a study of Indonesia financial industry firms. *Journal of Finance and Banking*, 26(4), 917–936. <https://doi.org/10.26905/jkdp.v26i4.8524>.

Shank, T., Paul Hill, R., & Stang, J. (2013). Do investors benefit from good corporate governance? *Corporate Governance: The international journal of business in society*, 13(4), 384–396. <https://doi.org/10.1108/CG-03-2010-0027>.

20 Terjesen, S., Couto, E.B. & Francisco, P.M. (2016). Does the presence of independent and female directors impact firm performance? A multi-country study of board diversity. *Journal of Management & Governance* 20, 447–483 <https://doi.org/10.1007/s10997-014-9307-8>.

21 Giese, G., Nagy, Z., & Lee, L.-E. (2021). Deconstructing ESG ratings performance: Risk and return for E, S, and G by time horizon, sector, and weighting. *Journal of Portfolio Management*, 47(3), 94–111. <https://doi.org/10.3905/jpm.2020.1.198>.

22 Cerqueti, R., Ciciretti, R., Dalò, A., & Nicolosi, M. (2021). ESG investing: A chance to reduce systemic risk. *Journal of Financial Stability*, 54, 100887.

23 Kotsantonis, S., Pinney, C., & Serafeim, G. (2016). ESG integration in investment management: Myths and realities. *Journal of Applied Corporate Finance*, 28(2), 10–16. <https://doi.org/10.1111/jacf.12169>.

24 Investors Against Slavery and Trafficking Asia Pacific (n.d.). Who we are [website]. <https://www.iastapac.org>.

Overview of relevant research

While not a systematic review, this report has considered a balanced range of sources in the following synthesis of relevant research. The search parameters focused on sources published in the last 10 years and on peer-reviewed academic journal articles, books, and conference papers and credible non-academic sources such as reports from government, NGO, or industry bodies. Works were only included if they demonstrated clear relevance to the topic, credible methodology, and substantial contribution to understanding. Works were excluded if they were from potentially biased sources or without substantial empirical evidence.

A vast number of research studies seek to assess the correlation between ESG performance and financial performance in a variety of different contexts. The overview of relevant research in this section of the report focuses on meta-analysis studies and review studies which aggregate data from multiple datasets. This provides a robust assessment of a large range of research evidence.

Whelan et al. (2021) aggregated evidence from over 1,000 studies published between 2015 and 2020, reporting an overall positive relationship between ESG integration and financial performance, and noting that improvement in performance becomes more pronounced over longer-term horizons.²⁵ Their analysis

identified a positive correlation between ESG factors and financial performance in 58% of the 'corporate' studies they reviewed – these studies examined operational metrics like Return on Equity (ROE), Return on Assets (ROA), or stock prices. In these studies, 13% reported a neutral impact, 21% showed mixed outcomes (indicating a combination of positive, neutral, or negative results), and only 8% found a negative correlation. The meta-analysis also reviewed investment studies, which typically evaluate risk-adjusted measures such as alpha or the Sharpe ratio for stock portfolios, finding that 59% of these studies reported performance that was equal to or better than conventional investment methods, while only 14% reported negative results.

Whelan et al. (2021) also reviewed 59 studies on climate change or low-carbon initiatives and their financial impact. For corporate studies, 57% reported positive outcomes, 29% neutral, 9% mixed results, and 6% negative. Among investor-focused studies, 65% demonstrated positive or neutral performance compared to traditional investments, with only 13% showing negative results. These conclusions were further reinforced by a meta-meta-analysis (an analysis of existing meta-studies).

²⁵ Whelan, T., Atz, U., Holt, T. V., & Clark, C. (2021). ESG and financial performance: Uncovering the relationship by aggregating evidence from 1,000 plus studies published between 2015 – 2020. NYU Stern Center for Sustainable Business & Rockefeller Asset Management. https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf.

Similarly, Friede, Busch and Bassen (2015) aggregated evidence from more than 2,000 empirical studies of ESG and financial performance, finding a positive relationship between ESG factor integration in investment decisions and corporate financial performance.²⁶ Approximately 90% of the studies they reviewed found a nonnegative (i.e. positive or neutral) relation between ESG and corporate financial performance. In the 1,816 ‘vote-count’ studies assessed (i.e. the studies in the gross sample that are treated as unique studies), 47.9% yielded positive findings and 6.9% negative. Of the meta-analyses reviewed, 62.6% yielded positive findings and 8.0% negative.

These global findings are also reflected in Australia-focused research. A 2024 study examined the share market performance of ASX-listed UN Global Compact Network Australia (UNGCNA) member companies against non-member counterparts from 2021 to 2024. UNGCNA member companies align their strategies and operations with 10 UN-endorsed principles on human rights, labour, environment and anti-corruption, and take strategic actions to advance societal goals – such as the UN Sustainable Development Goals. The study reported that UNGCNA companies experienced an 18% growth in enterprise value over the period, while similar non-member companies grew by only 3%.²⁷ The study concludes that this may be a result of sustainable business practices (or, alternatively, due to an overarching management approach or style that sets these companies apart).

Overall, the research suggests that effective and efficient ESG practices can act to help mitigate many of the legal, regulatory, and reputational costs that can adversely impact financial performance. They can also contribute to improvements in cost management, employee retention, and innovation – which can, in turn, lead to more sustainable long-term growth prospects.²⁸

Active ownership can also support a well-functioning financial system through asset owners actively responding to market-wide and systemic risks, including ESG risks.²⁹ Regulatory bodies in Australia recognise that super funds use stewardship activity such as engagement and policy advocacy to seek to generate value, with APRA’s Prudential Practice Guide for SPG 530 Investment Governance outlining the expectation that superannuation funds demonstrate an understanding of ESG factor risks and opportunities; demonstrate how these are integrated into investment decisions; and have resource capacity to both identify and respond to material ESG factors.³⁰



I really like the idea [of active ownership] myself, I think using that influence to do good is probably what is well overdue with a lot of particular initiatives with organisations. So, it would be great to see something really tangible come out of something that we will hopefully benefit from.”

– Woman, 39, Australian Capital Territory

26 Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210–233. <https://doi.org/10.1080/20430795.2015.1118917>.

27 McCarthy, P. X., Parker, M., & Gong, X. (2024). Sustainability as strategy: The financial performance of UN Global Compact Network Australia (UNGCNA) member firms on the Australian Securities Exchange (ASX). <http://dx.doi.org/10.2139/ssrn.4789734>.

28 Fu, T., & Li, J. (2023). An empirical analysis of the impact of ESG on financial performance: The moderating role of digital transformation. *Frontiers in Environmental Science*, 11. <https://doi.org/10.3389/fenvs.2023.1256052>.

29 Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210–233. <https://doi.org/10.1080/20430795.2015.1118917>.

Statman, M., & Glushkov, D. (2009). The wages of social responsibility. *Financial Analysts Journal*, 65(4), 33–46. <https://doi.org/10.2469/faj.v65.n4.5>.

Taddeo, S., Agnese, P., & Busato, F. (2024). Rethinking the effect of ESG practices on profitability through cross-dimensional substitutability. *Journal of Environmental Management*, 352, 120115. <https://doi.org/10.1016/j.jenvman.2024.120115>

30 Australia Prudential Regulation Authority (2023). Prudential Practice Guide SPG 530 Investment Governance <https://www.apra.gov.au/sites/default/files/2023-07/Prudential%20Practice%20Guide%20SPG%20530%20Investment%20Governance%20Integrated%20version%20-%20clean.pdf>

Attitudes of Australian superannuation fund members to active ownership practices

Despite many Australian superannuation funds adopting an active ownership approach as part of their duty to members, there is little publicly available research on fund members' awareness of active ownership, or the extent to which they support their superannuation fund undertaking active ownership on their behalf.

Research was conducted by The Insight Centre in 2024 with a national sample of Australian superannuation fund members. The data reported in this section comes from the quantitative survey phase of this research.³¹ For details on the methodology, see Appendix A.

The survey first tested baseline awareness of active ownership as a term. It then asked superannuation fund members to consider their levels of support when provided with specific descriptions of active ownership practices. It also asked their preferences for their fund's overall approach to engaging with the companies it invests in.

The study found that baseline awareness of active ownership as a concept is low, with seven in 10 members saying they are not familiar with the term.

However, the survey showed that superannuation fund members are concerned about the risks active ownership seeks to address. They also broadly agree with their fund considering social, environmental and community outcomes in their investment choices. Ninety-one per cent of those surveyed somewhat agreed, agreed or strongly agreed with the statement "Companies that do the wrong thing by their customers, employees or the environment are presenting a risk to their investors (like members of superannuation funds)." Further, 92% surveyed somewhat agreed, agreed or strongly agreed that they want their superannuation fund to "invest in companies that have a positive impact on people, communities and employees."



I don't think active ownership is a bad thing at all because at the end of the day, superannuation funds are accountable to their members to be returning as much as they can on investment. So, if I can do that in a responsible manner, there's nothing wrong with that."

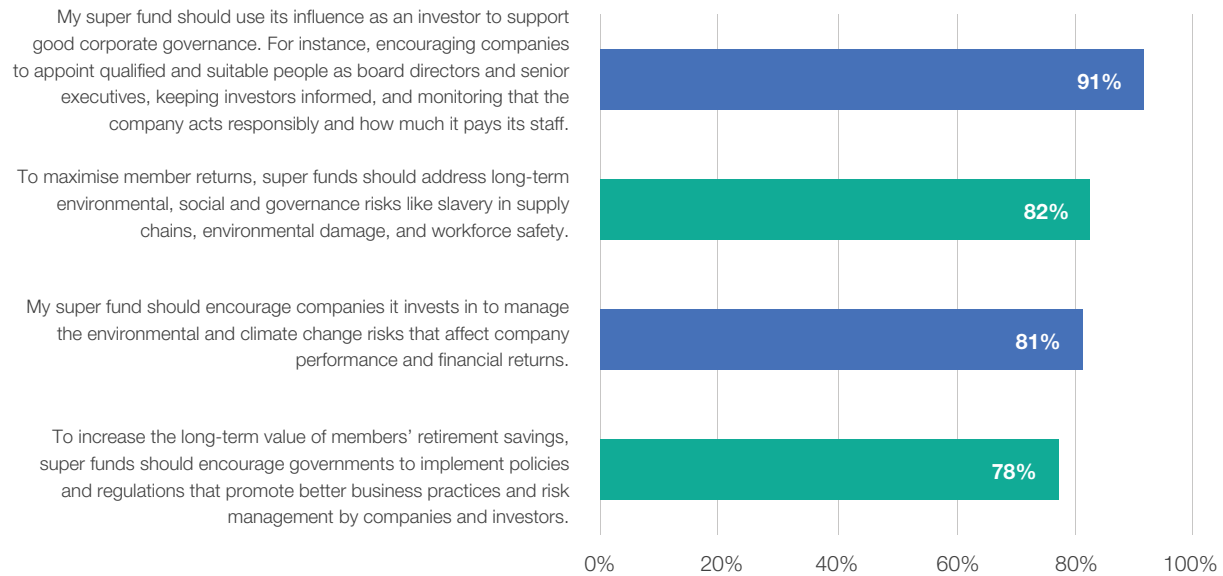
– Woman, 54, New South Wales

³¹ The Insight Centre conducted a 20-minute online survey with a national sample of 1,908 Australian superannuation fund members aged 18 and over, representing various types of funds. This sample size gives a high level of confidence (95%) that the results are accurate, with only a small margin of error, of about 2.5%. A 95% confidence level means that if we repeated the same survey or study many times with the same sample size, 95 out of 100 times the results we got would be very close to the real answer for the whole population. In other words, we can be 95% certain that our results are reliable. A margin of error of 2.5% means that results from the sample may not match the exact number for the whole population, but the difference will likely be very small – within 2.5% of the true value. For example, if a survey says 50% of people prefer option A, the actual number in the whole population is likely between 47.5% and 52.5%. Together, this means the study is highly trustworthy, and the results are very close to what you'd expect if you had surveyed or studied all Australian superannuation consumers. Data was weighted to accurately represent the Australian population's age and education distribution in alignment with Australian Bureau of Statistics population data.

In addition, when presented with specific examples of active ownership practices and outcomes, superannuation fund members from across demographic groups demonstrate high levels of support for their funds undertaking these practices. The chart below shows ‘net agreement’ – that is, the percentage of those surveyed who selected ‘somewhat agree’, ‘agree’, or ‘strongly agree’ – on key statements describing examples of active ownership practices by funds. These results suggest most super fund members already expect their funds to engage in typical active ownership practices.

Chart 1:

Australian superannuation fund members’ net agreement* with active ownership practices



*Net agreement percentages shown are the sum of the three response options ‘somewhat agree’, ‘agree’, and ‘strongly agree’.

Q. Below is a series of statements. Please indicate how much you agree with each statement, using a scale from 1 to 7, where 1 means strongly disagree and 7 means strongly agree.

Base n=1908

CLIMATE AND ENVIRONMENTAL CASE STUDY

Launched in 2017, Climate Action 100+ is an investor-led initiative of more than 700 investors engaging companies on improving climate change governance, emissions target setting and strengthening climate-related disclosures. The initiative was set up with the aim of the world’s largest corporate greenhouse gas emitters taking necessary action on climate change to mitigate financial risk and to maximise long-term asset value.³² Bolstered by the contributions of other organisations and initiatives, as of 2023, 75% of the initiative’s focus companies have committed to achieving net zero emissions by 2050 or sooner. This marks a significant increase from the initiative’s early years, when only a handful of companies had such commitments. This includes major corporations in high-emission sectors such as energy, industrials and transportation.³³

32 Climate Action 100+ (n.d.). Global investors driving business transition [website]. <https://www.climateaction100.org>

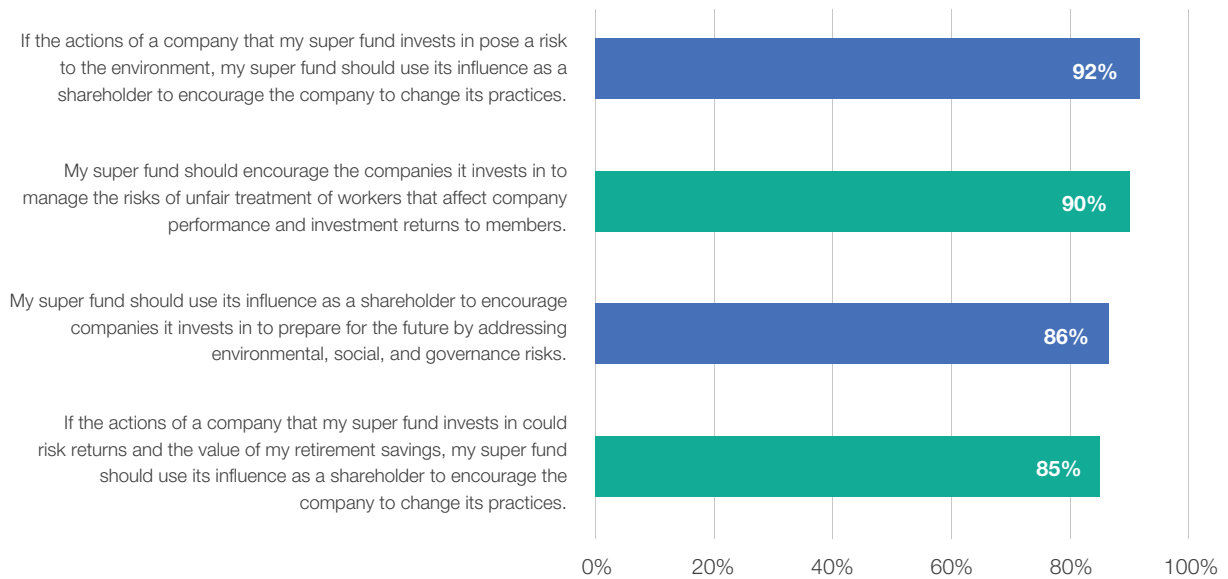
33 Climate Action 100+ (2023) Climate Action 100 Progress Update <https://www.climateaction100.org/wp-content/uploads/2024/01/Climate-Action-100-Progress-Update-2023.pdf>

The survey data also shows that Australian superannuation fund members are generally supportive of their funds using their influence to engage with companies on any matters that could risk returns, as well as matters specifically pertaining to ESG risk.

The chart below shows net levels of agreement with statements describing the ways in which funds could use their influence as shareholders to manage risk.

Chart 2:

Australian superannuation fund members’ net agreement* with active ownership practices



*Net agreement percentages shown are the sum of the three response options 'somewhat agree', 'agree', and 'strongly agree'.

Q. Below is a series of statements. Please indicate how much you agree with each statement, using a scale from 1 to 7, where 1 means strongly disagree and 7 means strongly agree. Net agreement of 'somewhat agree', 'agree', and 'strongly agree'.

Base n=1,908

RISKS REPORTING CASE STUDY

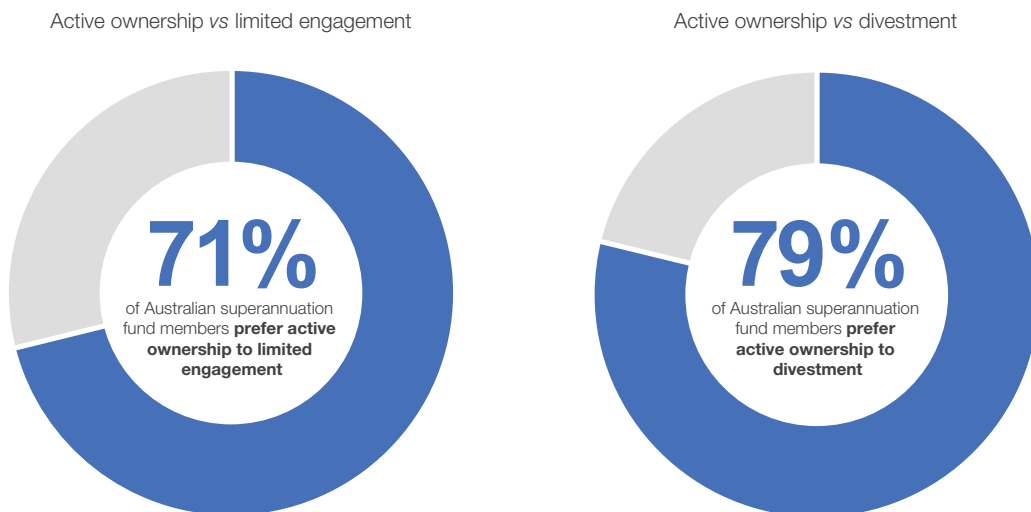
Monitoring and disclosing the risks it faces helps a company understand what it needs to do to manage risks and allows investors to gauge their confidence in a company’s actions and strategy. This is true of many ESG issues, including climate. Since the release of the Taskforce for Climate-related Disclosures (TCFD) in 2017, investors have encouraged companies to report against that framework. In 2017, 11 companies did so. By March 2023, that had risen to nearly 70% of the ASX200. This shows a maturing recognition of a climate-related risk and disclosure system. These disclosures help to provide investors with detailed, credible and comparable information in order to make decisions on behalf of their beneficiaries.

The survey also provided respondents with a choice between pairs of statements describing an active ownership approach, limited engagement and a divestment approach in simple terms.³⁴ It asked them for their overall preference in terms of their own fund's approach.

The majority (71%) of Australian superannuation fund members stated that they prefer their fund to engage in active ownership over limited engagement. Seventy-nine per cent say they prefer an active ownership approach over a divestment approach.

Chart 3:

Australian superannuation fund members' preferences



Q. Please read the below pair of statements, and please select which statement you most agree with.
Base n=1,908.

While this research is the first comprehensive public analysis of fund member attitudes to active ownership in Australia, the positive attitudinal findings generally align with other studies of both consumers and investors which focus more broadly on responsible investing – including consumer research from the Responsible Investment Association Australia (RIAA) and investor-focused research published by Invesco.³⁵

34 Statements shown to survey respondents: Active ownership: My super fund should use its influence with the companies it invests in to encourage them to adopt responsible business practices, environmental sustainability, and social responsibility, in order to maximise returns to members. Limited engagement: My super fund should have minimal involvement in the companies it is invested in and should instead find ways to maximise member returns without influencing company decisions and practices. Divestment: My super fund should divest from companies with large environmental, social and governance risks even if this results in lower financial returns. Divestment refers to an investor, like a super fund, selling all the shares it holds in a particular company.
35 Budak, Z., Samarakoon, N., & Sammut, P. (2024). From values to riches 2024: Charting consumer demand for responsible investing in Australia. Responsible Investment Association Australasia, Melbourne. https://responsibleinvestment.org/wp-content/uploads/2024/03/From-Values-to-Riches-2024_RIAA.pdf. Invesco (2021). What investors want. <https://www.invesco.com/content/dam/invesco/uk/en/pdf/Client-consumer-study.pdf>.

Conclusion

Millions of Australians' superannuation contributions are invested across the economy, meaning that superannuation funds and their members have a significant ownership stake in the nation's economic activity, including its biggest listed companies. Many Australian superannuation funds practise active ownership, using their investor rights and influence to engage in the governance, policies, practices and management of investee entities to create long-term financial benefits for their members – including through the consideration of ESG issues.

This report has synthesised findings from national and international research to establish the existing evidence that addressing asset risk, including ESG factors, can positively impact company performance and investor returns. It has also outlined key findings from quantitative and qualitative research conducted by The Insight Centre on Australian superannuation consumers' existing awareness of active ownership, and their levels of support for active ownership when they are made aware of what it entails.

The consumer research findings in this report show that active ownership is an approach that a strong majority of Australian fund members surveyed expect from their fund. Although active ownership is a new concept for most, super fund members across demographics express high levels of support when presented with a range of potential active ownership practices from their funds. They are broadly concerned about ESG risks and have an expectation that superannuation funds will use their influence to manage these risks in ways that protect their returns. This indicates strong organic support – that is, genuine and unsolicited endorsement of an idea without exposure to external influence or campaigns – for active ownership and a strong alignment between member expectations and active ownership principles.

Given the evidence of its effectiveness in enhancing and protecting member returns (at least in the long term) and of the existing levels of support from fund members, active ownership represents a valuable strategy for superannuation funds. Further, Australian superannuation funds have a clear opportunity to further engage with their members to grow their understanding of active ownership, enhance transparency and increase trust.

Appendix A: Consumer research methodology

The Insight Centre conducted a 20-minute online survey with a national population sample of Australian superannuation fund members aged 18 and over. Those surveyed included members of industry, corporate, public sector and retail superannuation funds. Survey fieldwork was conducted from the 6th till the 16th of February 2024.

The survey included responses from 1,908 people. Survey participants were recruited through an online research panel (The Online Research Unit) of people who have signed up to participate in surveys. Survey participants were screened for membership of four types of superannuation funds – Industry, Retail, Public Sector and Corporate superannuation funds. Members of small APRA funds (SAFs) and self-managed superannuation funds (SMSFs) were excluded. Demographic quotas for age, location and gender were used to create a sample that reflects the ABS population distribution of Australian residents. When taking the online survey, participants first completed a set of screening questions which identified and excluded from the study any respondents that did not fit the population being studied.

The sample size of 1,908 people gives a high level of confidence (95%) that the results are accurate, with only a small margin of error of about 2.5%. A 95% confidence level means that if we repeated the same survey or study many times with the same sample size,

95 out of 100 times the results we got would be very close to the real answer for the whole population. In other words, we can be 95% certain that our results are reliable. A margin of error of 2.5% means results from the sample may not match the exact number for the whole population, but the difference will likely be very small – within 2.5% of the true value. For example, if a survey says 50% of people prefer option A, the actual number in the whole population is likely between 47.5% and 52.5%. The confidence level and margin of error mean the study is highly trustworthy, and the results are very close to what you would expect if you had surveyed or studied all Australian superannuation consumers.

The survey data was adjusted using the Random Iterative Method (RIM) to make sure it accurately reflects the population of Australia in terms of age and education levels, a method that is widely accepted in research. This adjustment was done to match the distribution of the population as reported by the Australian Bureau of Statistics. The method used for adjusting the data was highly efficient (96.3% efficiency), resulting in a reliable sample size of 1,838 people.

Additionally, a technique called False Discovery Rate (FDR) adjustment was applied. This method helps ensure that the results remain accurate and meaningful, even when multiple statistical tests are performed at the same time.

This quantitative research phase was followed by a qualitative phase using online focus groups. Participants for this phase of the research were recruited based on the largest key audience segments developed in the quantitative analysis. These segments, making up 90% of the those surveyed, comprised of consumers who ranged from somewhat unsupportive to very supportive in their overall attitudes to active ownership. The smallest minority segment of strong detractors (10% of the surveyed population) was not included in the qualitative study. This segment was excluded because they are not a target audience for further engagement due to representing a small minority and possessing entrenched or resistant beliefs. Six online focus groups were held in March 2024, with a total of 36 superannuation fund members taking part. Participants were shown information and messages about active ownership and asked for their detailed points of view and any concerns.

Participant quotes appearing in this report are from the qualitative focus groups and have been edited for length and/or clarity.

Research using online panels for participant recruitment includes the limitation that participants are not chosen through probability-based sampling methods, where everyone in the population has an equal chance of being selected. However, by using population quotas and weighting the data to ABS population distribution figures for age, gender, location, and education levels, it is accepted that the results would be similar to those from an equivalent sample of the general population.

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