

Implementing SRI: A Case Study

CSRI Conference

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Agenda

- Setting the Scene
 - Australian Super & SRI Landscape
 - About Christian Super
- Christian Super's Journey
 - Why, When & How
 - Experience & Plans
- Outcomes
 - Some Lessons to Learn
 - Motivation to Take Action



The Scene: Super Landscape

- Government's Super Strategy
 - 3 Pillars: Age Pension, Super, Private
 - Compulsory & Preserved
 - Tax incentives
 - Choice of Fund
- Types of funds – industry fund, master trust, personal (retail), SMSF
- Trends – fewer funds, branding, retailisation, financial planning



The Scene: SRI Landscape

- Historically
 - Few SRI products, negative screens
 - SRI as separate option / asset class
- Compulsory Disclosure
 - the extent to which ethical, social and environmental issues or labour standards are taken into account
- Current Trends
 - Innovative products (across asset classes)
 - Focus on sustainability and returns
 - Better resources – advisers, research



The Scene: Christian Super

- Who we are
 - Christian owned and operated
 - 16,000 members, 1,600 employers, \$400 million assets
 - Industry fund (public offer)
- Features
 - All ethical investments – 5 options
 - Insurance - death, disability, income protection
 - Allocated pensions



The Journey: Why

- Alignment with our beliefs
 - Biblical principles
- Member expectations
 - Financial stewardship
- Fund differentiation
 - “What’s Christian about Christian Super?”
- Fiduciary duties
 - Good for long term returns
 - Members’ best interests



The Journey: When

- Our time line

1999: Board explored EDI (Ethically Directed Investments) concept

2001: EDI options commenced, with EDI Growth as default option. Invested via MSIT

2003: Further options added due to Fund merger

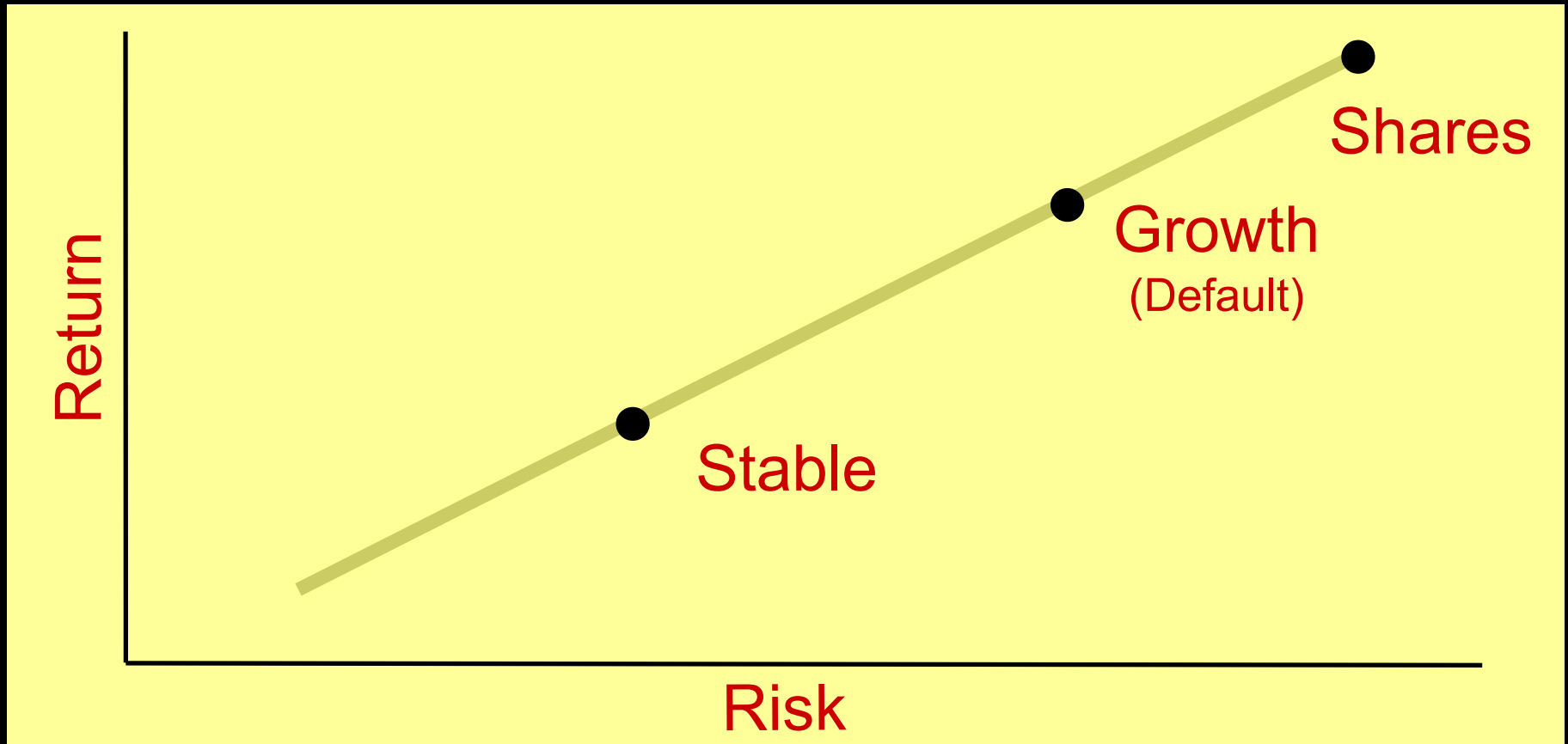
2005: Decision to close general options – driven by Fund Choice and majority members in EDI. New framework, specialist advisers and staff

2006: EDI for all options and across asset classes. Investments switched to individual mandates



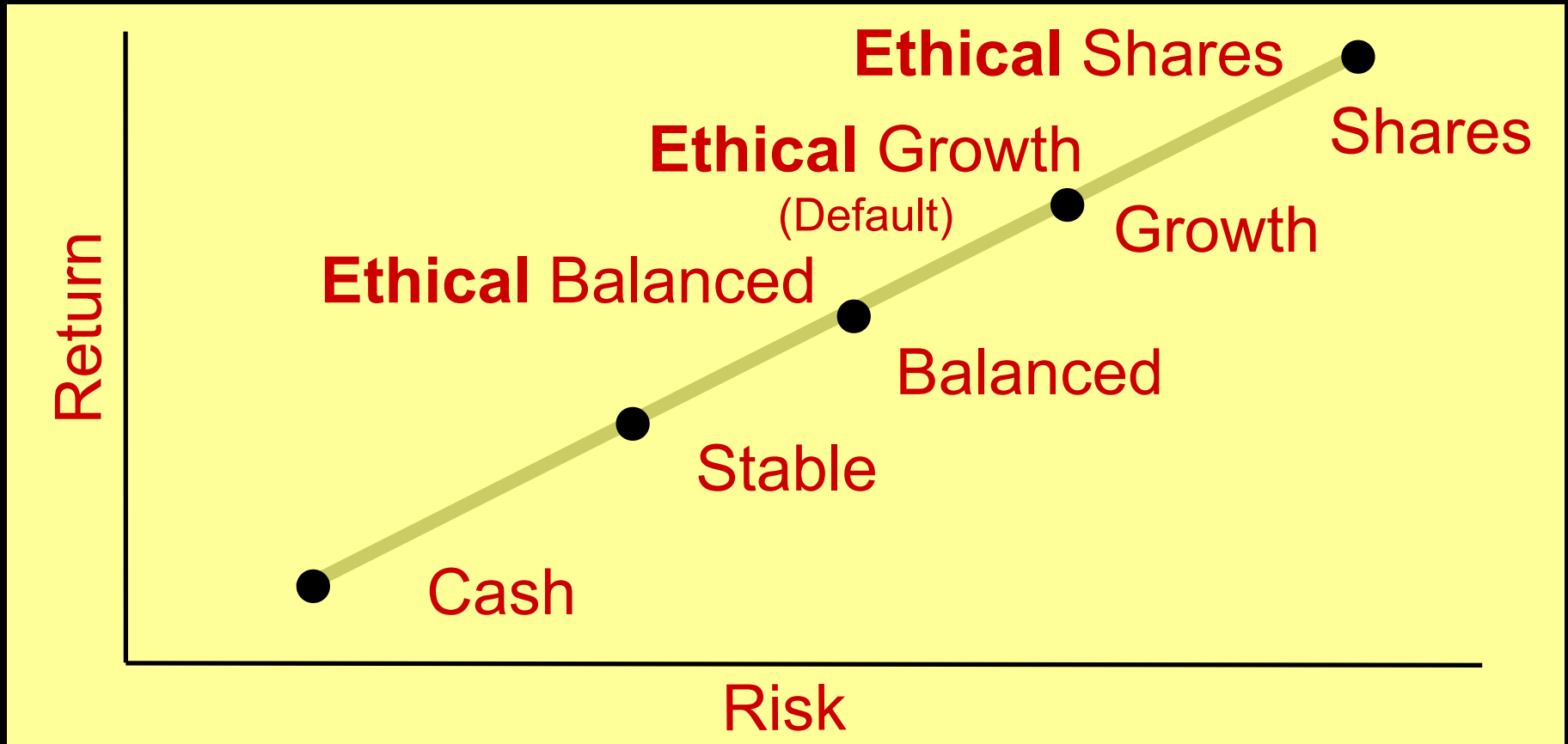
The Journey: How

- Investment Options – Before EDI



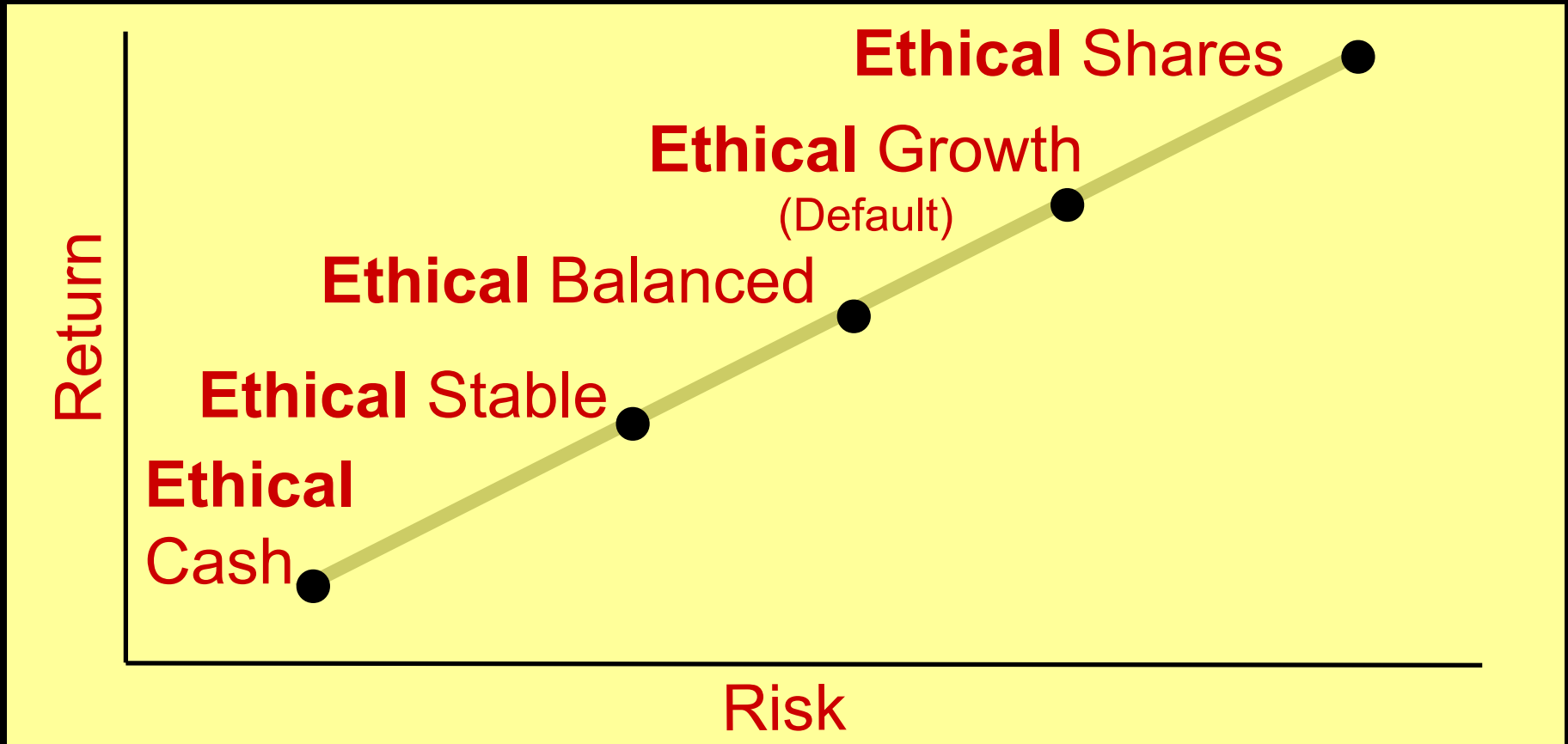
The Journey: **How**

- Investment Options - Transition



The Journey: **How**

- Investment Options - Now



The Journey: **How**

- Initiated ethical investment options
 - Established member needs and trustee obligations
 - Documented basic objectives in an “Ethically Directed Investments Charter” – mix of negative and positive screens
 - Started with a pooled vehicle (MSIT)
 - Committed to EDI – default, communications
 - Walked before we ran – we made a start!
 - Monitored progress, identified gaps



The Journey: How

- Moved to fully ethical investments
 - Tendered for investment adviser with SRI capabilities (Mercer)
 - Appointed a Christian ethics adviser and developed a “CCC” Biblical framework (MCSI)
 - Established a dedicated Investment and Ethics committee of the Board
 - Developed a range of policies (eg screening, revised benchmark, issue papers)
 - Accessed research (SIRIS) & voting (VOTEX)
 - Switched to direct manager mandates



The Journey: **How**

CCC Investment Themes:

1. **Command** (principles, rules)

- Abortion, stem cells, militarism, racism, 24/7 work idolatry, Sabbath principle

2. **Character** (persons, roles)

- Family friendly, long-term workplace and community relationships, monopolism, child labour

3. **Consequences** (purposes, results)

- Anti-Christian, pollution, preservation of earth



The Journey: How

- Screening criteria (examples next slide)
 - Absolute exclusions
 - Involvement exclusions
 - Underweight (-ve) screens
 - Overweight (+ve) screens
- Revised ASX300 benchmark
 - 114 companies (10% by value) are excluded
 - Top rated companies are given extra weight



The Journey: How

ABSOLUTE EXCLUSIONS

- Embryonic stem cell research
- Production of abortion drugs
- Gambling
- Tobacco
- Pornography
- Sex Industry

INVOLVEMENT EXCLUSIONS (5% Tolerance)

- Child labour
- Anti-Christian organisations
- Alcohol
- Fast Food
- Weapons

UNDERWEIGHT SCREENS

- Exploitative consumer debt
- High/inefficient energy users
- Companies with a poor prosecution record
- Poor labour practices
- Regular downsizing, high turnover
- Extreme executive pay
- Inhumane animal testing/treatment
- Heavy carbon dependence

OVERWEIGHT SCREENS

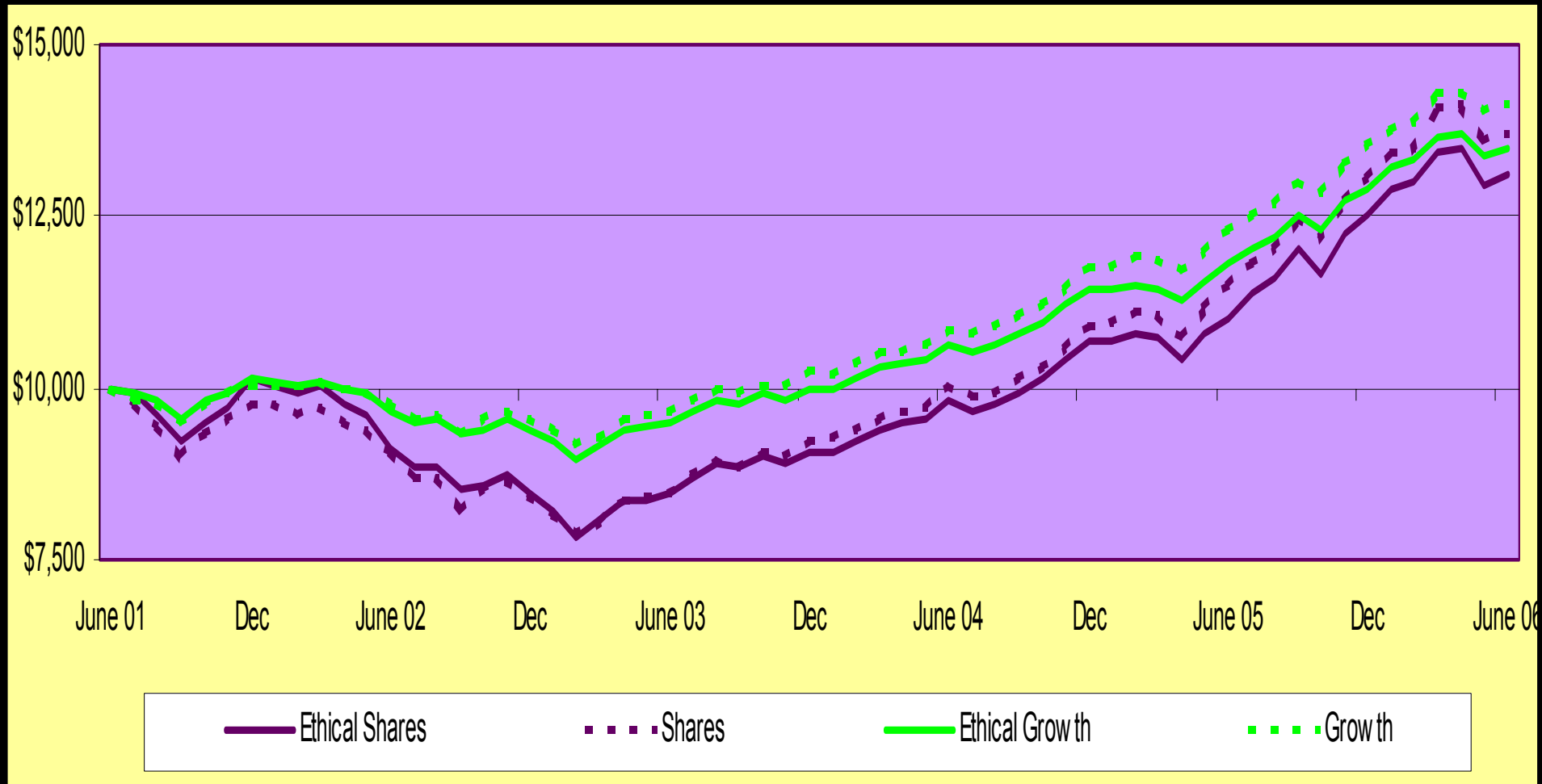
- Adult stem cell research
- Work-life balance
- Renewable energy
- Community
- Education
- Equal pay
- Supporting healthy living
- Transparency

The Journey: Experiences

- Great diversity of views at all levels
 - Board, members, industry, advisers
- Strong need to lead if there is choice
 - Issues can be complex
 - Member apathy
- Investment strategy
 - Running EDI and general options problematic
 - Control is limited while in pooled products
 - More opportunities as asset size increases
 - Screening process still has limitations



The Journey: Experiences



The Journey: Plans

- Continue to diversify – asset classes
- Search for direct Christian focused investments – eg microfinance, schools, aged care, low cost housing
- Increase our impact – research, voting, collaborative engagement, unique influence
- Encourage SRI – education, EIA/CIF, UNPRI
- Review screening processes & priorities
- Generate excellent returns!



Outcomes: Some Lessons

- SRI can be as involved or passive as you make it
- SRI does give competitive returns, but strong views of lower SRI performance remain
- SRI resources (products, research, advice) and acceptance (companies, individuals) are all improving greatly
- SRI needs leadership and commitment
- Financial Planners are not (yet) on board



Outcomes: Motivations

- Listen to your constituency
- Look at the evidence, and the need
- Make a start – be a leader!
- Get SRI recognition (eg EIA symbol)
- Support SRI (eg UN Principles)
- Watch “An Inconvenient Truth”



Principles
for Responsible
Investment



*The earth is the Lord's,
and everything in it ...*

Psalm 24:1

Christian Super

