

**STATUTES AMENDMENT (ETHICAL INVESTMENT –
STATE SUPERANNUATION) BILL**

7 May 2008

The Hon. D.G.E. HOOD: I rise to support the second reading of the bill on behalf of Family First. With respect to the Hon. Mark Parnell, it is a fairly simple bill so far as what is written in the paper goes. It simply inserts the requirement for state superannuation to provide an investment option for state superannuants that takes into account the impact upon society and the environment.

Ethical superannuation is a welcome and recent trend, but it is also something that has considerable historical tradition, which I will reflect upon briefly. Indeed, the Quakers were one of the first groups to promote ethical investing in about 1758 when they precluded their members from investing in the slave trade. Notably, that was 50 years before William Wilberforce famously achieved the abolition of the slave trade, as my colleague the Hon. Andrew Evans celebrated in his matter of interest on 1 August last year. Another early thinker in ethical investing (during the 18th century) was the famous theologian John Wesley, and it is said that in 1928 it was Wesley's Methodists who founded the first ethical mutual fund. Today, funds such as the Mennonite-founded Meritas Fund in Canada and the Quaker-founded Joseph Rowntree Charitable Trust give grants to groups concerned with peace, disarmament and human rights, and still maintain a healthy return to investors.

After many social issues, such as the Holocaust and, indeed, apartheid in the last century, I think it is fair to say that ethical or 'socially responsible' investing has broadened in its outlook, and this century one of the strongest aspects of concern for ethical investment relates to the environment. I am sure that is one of the major underpinnings of the Hon. Mr Parnell's reason for introducing this bill in the first place. Family First celebrates the history of ethical investing and believes in that strong tradition continuing, but we also welcome this new

trend in ethical investing as a form of consumer activism to get big business to behave more responsibly, where appropriate.

To set the record straight, we have opposed the honourable member's pushes—initiatives, is perhaps a better way of putting it—for ethical superannuation previously, and the reason is they have been targeted at specific aspects of the superannuation industry, if you like, or particular options within that field, and we strongly favoured a whole-of-government approach across the whole state for all people who would be affected by this proposed legislation.

The next obvious question that needs raising, therefore, is: if it is to affect many people, then exactly what is 'ethical'? I think that most conscience votes and, indeed, a number of other votes, hinge on that question, so I believe we must explore briefly in this bill what is 'ethical'. The Hon. Mr Parnell is right in saying that, in many cases, superannuants have no idea where their funds are going; and, in some cases, if they knew they would be horrified. What might horrify one superannuant might be neutral or, perhaps, even positive to another. That is how people differ in their ethics; or, perhaps to be fair, they place a different emphasis on what they think to be a more important ethical issue.

Perhaps the right phrase here is 'issues of conscience'. I want to explore this issue of conscience briefly because, as indicated by the Hon. Mr Lucas, I have filed amendments to that effect. If it agrees to this bill in the other place, it will require the government to consider issues of conscience in determining whatever fund or funds would be offered to state superannuants as ethical investments. In briefings on superannuation bills, Family First has questioned how the government would approach ethical superannuation. The impression we get is that the government will consider one or two so-called off-the-shelf ethical investment products.

Relating back to my comment about people having different ethics or different points of view on issues of conscience, I trust that members can see our concern that, if one fund is taken off the shelf, so to speak, and put forward to

state superannuants as an ethical or so-called ethical option, that fund might not reflect the ethical values of all superannuants. Indeed, these people may wish to invest ethically because it sounds good but, when they discover where their so-called fund investments are going, they might feel somewhat disappointed with the outcome.

Examples of funds that offer ethical superannuation include one called SunSuper, of which my wife is a member. SunSuper, in one of its particular ethical options, avoids investing in companies that have a material exposure to the production of alcohol, gambling, pornography, tobacco and, interestingly, uranium mining. A national group called Australian Ethical and the New South Wales based group called Local Government Super Scheme take a dim view, among other things, of investments in gambling, tobacco and alcohol production.

With respect to some overseas examples, in the US funds such as the Appleseed Fund, the Aquinas Growth Fund and PIMCO refuse to invest in companies that manufacture alcohol, tobacco products or pornography, amongst other things. The Aquinas Growth Fund also precludes investing in products that aid in abortion and other contraceptive measures and goes so far as to rule out investing in what it considers to be particularly violent forms of media, such as, I suspect, Rockstar Games, which produce Grand Theft Auto, and other companies that produce similar material.

In Canada the Investors Summa Fund Family, Mackenzie Sustainable Opportunities Fund and Meritas Investments Incorporated will not invest in companies whose revenues primarily derive from alcohol, tobacco, gambling, pornography or critical weapon systems. The point there is that, whilst the word 'ethical' is used for all these funds, one can see that what they choose to invest in and choose not to invest in can be quite different. Stepping back for a moment, in an ideal world (and this might not be far out of the question), it would be wonderful if superannuants (just as they can with investment strategies, such as aggressive, balanced or conservative options) could also check with a box whether they want their funds in a way that respects a certain environmentally ethical, biological and/or conscience-ethical way.

Ideally, a person could nominate these, but at present it is probably only those people financially wealthy—and, perhaps, time wealthy enough—to run self-managed superannuation funds who could invest with that level of specificity. Indeed, the very near future may well be different. Before I turn to those three headings, I want to raise what I have discovered in my consultation on this bill. There is a strategy described as 'best of industry' within the ethical investing industry, which sees funds say, 'We will invest in the uranium mining industry', and they invest in the market leader in terms of environmental sensitivity within that field.

That means that ethical funds are still investing in areas that some may consider unethical, for instance, the uranium mining industry, but they invest in that particular company in that industry that they consider to be the most ethical option. In essence, within ethical investing there are some unsatisfactory practices if one is really being ethical about the processes. It is quite conceivable that, if ethical investing was one of the next big things, some unscrupulous players could enter the field saying that they are doing research to ensure that the companies invested in are ethical when, in fact, they are not; and the so-called ethical fund is only an ethical fund by name and may in fact deceive people, given that the word 'ethical' might be quite misleading. I am not making any allegations here, but I believe it is a real possibility and again highlights the fact that 'ethical' means a lot of different things to a lot of different people.

The question of present industry practice is a relevant consideration and demonstrates the merit of the Family First amendments to this bill. Our amendments, though numerous, are very simple in that they include the words 'issues of conscience generally recognised in the community' as a third parameter. That is in addition to the impacts on society and environment as outlined by the bill that the Hon. Mr Parnell has put forward. The purpose is to ensure that these issues of conscience are also considered in what is deemed ethical or not ethical.

In addition to providing for issues of conscience, it is highly relevant for the government to consider in selecting funds or a fund to offer to state

superannuants, should this bill pass, that state superannuants should not be offered investment options in an activity that is illegal in South Australia. For example, on the social ethical side, if exploitation of child labour is part of the business operations of an overseas company, and it is against the law in South Australia (as clearly it is), then no state superannuation money should be invested in such funds. That sounds like an obvious thing to say, but when you investigate where some of these funds put their money, it is surprising to say the least.

It should be apparent to members that the issues I raise demonstrate how ethical investment adds another level of disclosure requirement to ensure that the ethical investments match the ethical concerns of the superannuants concerned. In conclusion, Family First supports ethical investing and certainly supports the second reading of this bill. However, our overarching concern is that a one-size-fits-all ethical fund might be chosen by the government, but does not reflect the ethical concerns of a significant number of superannuants, so the fund or funds in question ought to provide that level of investment choice to superannuants. Again it goes back to the issue of the word 'ethical' being attractive, but under investigation means different things to different people.

Without prejudicing the process, perhaps the government will have to choose separate funds that score well respectively on the environmental ethics, social ethics and issues of conscience grounds, as indicated in my amendment, and then provide information for superannuants to make their own choice to the extent that they want their own money invested in those areas. I ask members to consider my amendment. It has been a popular addition to so-called ethical funds in the US where people do not want to invest in companies that promote pornography, for example, and this wording has been lifted directly from the legislation over there where it seems to have achieved that effect.