



Responsible Investment
Association Australasia

FROM VALUES TO RICHES

Charting consumer attitudes and demand
for responsible investing in Australia

November 2017

INTRODUCTION

There has been unprecedented growth in ethical and responsible investing in recent years, both locally and globallyⁱ. In Australia, responsible investments have more than quadrupled over the past three yearsⁱⁱ, with nearly half of Australia's assets under management now being invested through some form of responsible investment strategyⁱⁱⁱ – from negative screening to the integration of environmental, social and governance (ESG) considerations to impact investing.

One notable driver for this growth is likely the rising consumer sentiment in support of investments that are consistent with people's own values.

In addition to the Responsible Investment Association Australasia's (RIAA) work to benchmark the size, performance and growth of responsible investing, RIAA regularly takes the pulse of the Australian public to better understand the beliefs and attitudes that inform investment decisions. This data helps to improve industry understanding, enabling the finance sector to deliver products and services that can best meet the financial and non-material needs of existing and prospective clients.

RIAA's 2017 consumer research builds on our earlier research commissioned in 2013. What is clearer today than four years ago is that Australians are demanding that financial markets play a socially constructive role in the economy. People are expecting their investments to support the emergence of tomorrow's industries, to remove support from companies that are doing social harm, and to create the assets and infrastructure that we will need in Australia late into this century.

With this growing consumer demand comes rising expectations on finance that requires greater accountability and transparency in the way in which we are managing our clients' investments. Responsible investing offers a great chance to respond and engage clients deeply, but will require us to shift from a focus on investment processes to investment outcomes – our clients want to know about the impact their investments are having.

RIAA's 2017 consumer research shows us what we already knew, but in numbers stronger than imagined. These figures underpin the increasing dynamic between asset owners, their investment managers, marketing teams and customers/members: Australian investors care about how their money is invested and critically, are willing to switch providers if they find their investments are doing harm. Investment is swiftly becoming a new form of conscientious consumption.

We hope this data will further strengthen our members' efforts to be better investors, applying fund-wide responsible investing strategies that meet their clients' and members' interests and expectations, that deliver strong financial performance and importantly, that contribute to a healthier economy, society and environment.

METHODOLOGY

The research was commissioned by the Responsible Investment Association Australia and conducted by Lonergan Research in accordance with the ISO 20252 standard. This study aimed to explore the effect of social issues on how Australians invest their funds.

Lonergan Research surveyed 1,037 Australians 18+. Surveys were distributed throughout Australia including both capital city and noncapital city areas. The survey was conducted online amongst members of a permission-based panel, between 19 and 23 October 2017.

EXECUTIVE SUMMARY

Responsible investing is reaching a tipping point in Australia, driven in strong part by the rising consumer demand and interest for responsible and ethical investment products that align with people's values, in addition to delivering strong financial returns.

This research provides important insights into Australians' interest and engagement around social and environmental issues when making consumption decisions, with a particular focus on people's attitudes, activity and intentions when investing their money in superannuation and other financial products.

It includes perspectives from consumers who are already investing their money responsibly as well as from those yet to consider investing in ethical companies or funds.

Key Findings

There is a growing sentiment that consumers want their investments and retirement savings invested responsibly; and now we know they expect it.

- 9 in 10 (92%) Australians expect their superannuation or other investments to be invested responsibly and ethically.
- 4 in 5 Australians would consider switching their super or other investments to another provider if their current fund engaged in activities inconsistent with their values.
- 53% of Australians will consider making ethical or responsible investments in the next 1 to 5 years.
- 7 in 10 (69%) Australians would rather invest in a responsible super fund that considers the environmental, social and governance issues of the companies it invests in and maximises financial returns, rather than a super fund which considers only maximising financial returns (31%). This attitude has increased by 27% since 2013.
- The vast majority (85%) of Australians believe superannuation should be invested responsibly, such as through investing in companies that build clean energy infrastructure or avoiding investments that can harm communities such as weapons manufacturing.
- 22% of Australians state they are already invested in ethical companies, funds or super funds that aim to create positive social and environmental outcomes; 53% stated they will consider this in the next 5 years, and a quarter of the population (24%) is planning on investing in ethical companies, funds or superannuation within the next 12 months.

The main issues Australians find important when thinking about investing are renewable energy, healthcare and medical products and sustainable practices, however when it comes to avoiding investments that do harm, Australians feel most strongly about animal cruelty and human rights violations.

- Nearly 9 in 10 (87%) Australians have important issues they avoid investing their money into.
- 4 in 5 (82%) Australians consider important social issues when investing. The top three issues Australians find important are renewable energy (48%), healthcare and medical products (45%), and sustainable practices (44%).

- The top three things Australians want to avoid investing in are animal cruelty (69%), human rights violations (62%), and pornography (56%).

Millennials are the segment most likely to act on their beliefs and expectations of organisations to deliver them quality and trustworthy responsible investments.

Millennials are the most likely group to:

- prefer to invest in a responsible super fund than a fund that only considers maximising financial returns (75%; cf. Gen X 66%, Baby Boomers 68%).
- consider investing in ethical companies, funds or superannuation funds in the future or are already doing so (88%; cf. Gen X 73%, Baby Boomers 65%).
- consider changing super providers or other investments to another provider if their current fund engaged in activities not consistent with their values (88%; cf. Gen X 77%, Baby Boomers 68%).
- agree they would be more likely to invest in an organisation, fund or product that has been certified by an independent third party for its responsible investment practices (93%; cf. Gen X 85%, Baby Boomers 83%).

Women tend to have a greater preference for and expectations around responsible investing

- Women are more likely to strongly expect their super or other investments to be invested responsibly and ethically (57%; cf. men 42%), as are Baby Boomers (58%; cf. Millennials 44%, Gen X 44%).

Expectations of financial advisers has also evolved with consumers wanting advice and investments to cover their values as well as their risk appetites.

- Half of Australians (49%) expect their advisers to invest in funds which align with their values.
- 63% of Australian expect their advisers to incorporate their values or consider the societal or environmental implications of particular investments.

To underpin consumer confidence that will unlock this demand, there is a need for more information and independent oversight for organisations, products and funds claiming to be responsible. Independent certification is an important marker for distinguishing and attracting responsible investors.

- A persistent challenge is access to information, with over half (56%) the population believing there is not enough independent information available regarding switching to a responsible or ethical super fund, or option within a super fund.
- 6 in 7 (86%) Australians agree they would be more likely to invest in an organisation, fund or product that has been certified by an independent third party for its responsible investment practices.

MAIN FINDINGS

Expectations around responsible investment

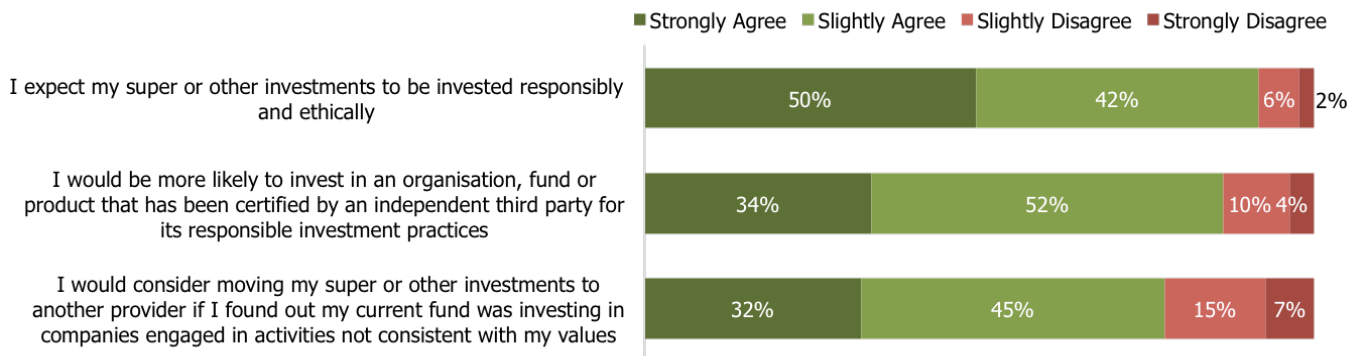
There is a growing sentiment that consumers want their investments and retirement savings invested responsibly; and now we know they expect it.

- More than 9 in 10 (92%) Australians expect their super or other investments to be invested responsibly and ethically.

Propensity to change to a more responsible investment provider

- 4 in 5 (78%) Australians would consider moving super or other investments to another provider if their current fund engaged in activities not consistent with their values.
- Millennials are the most likely to consider changing super providers or other investments to another provider if their current fund engaged in activities not consistent with their values (88%; cf. Gen X 77%, Baby Boomers 68%)

Figure 1: Expectations and intentions around responsible investing

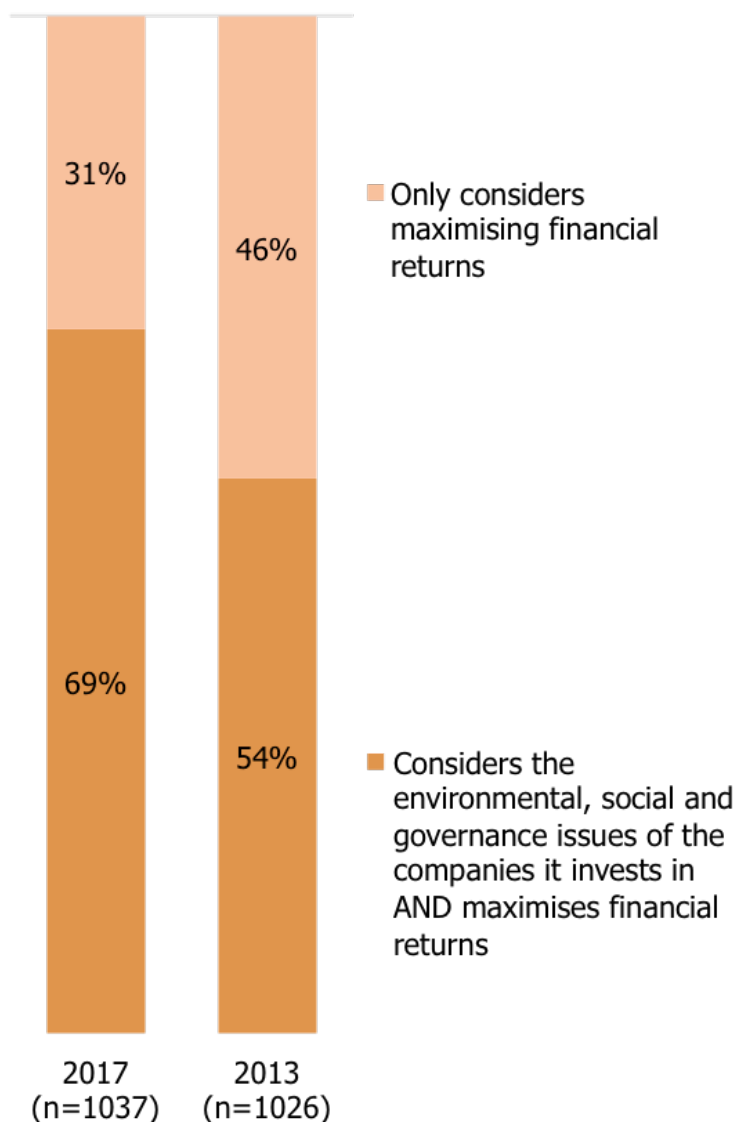


To what extent do you agree or disagree with each of the following statements?
Note: if you don't currently have super or other investments, please answer hypothetically. Base: Gen Pop 18+ (n=1,037)

Importance of considering ESG issues alongside financial returns

- 7 in 10 (69%) Australians would rather invest in a responsible super fund that considers the environmental, social and governance issues of the companies it invests in and maximises financial returns, rather than a super fund which considers only maximising financial returns (31%). This attitude has increased by 27% since 2013.
- Women are more likely to prefer to invest in a responsible super fund, than a fund that only considers maximising financial returns (72%; cf. men 67%). This has risen 20% since 2013 (60%).
- Men increasingly prefer to invest in a responsible super fund, than a fund that only considers maximising financial returns (67%; cf. 2013 49%).
- Millennials are the most likely to prefer to invest in a responsible super fund, than a fund that only considers maximising financial returns (75%; cf. Gen X 66%, Baby Boomers 68%).

Figure 2: Social impact vs only financial returns

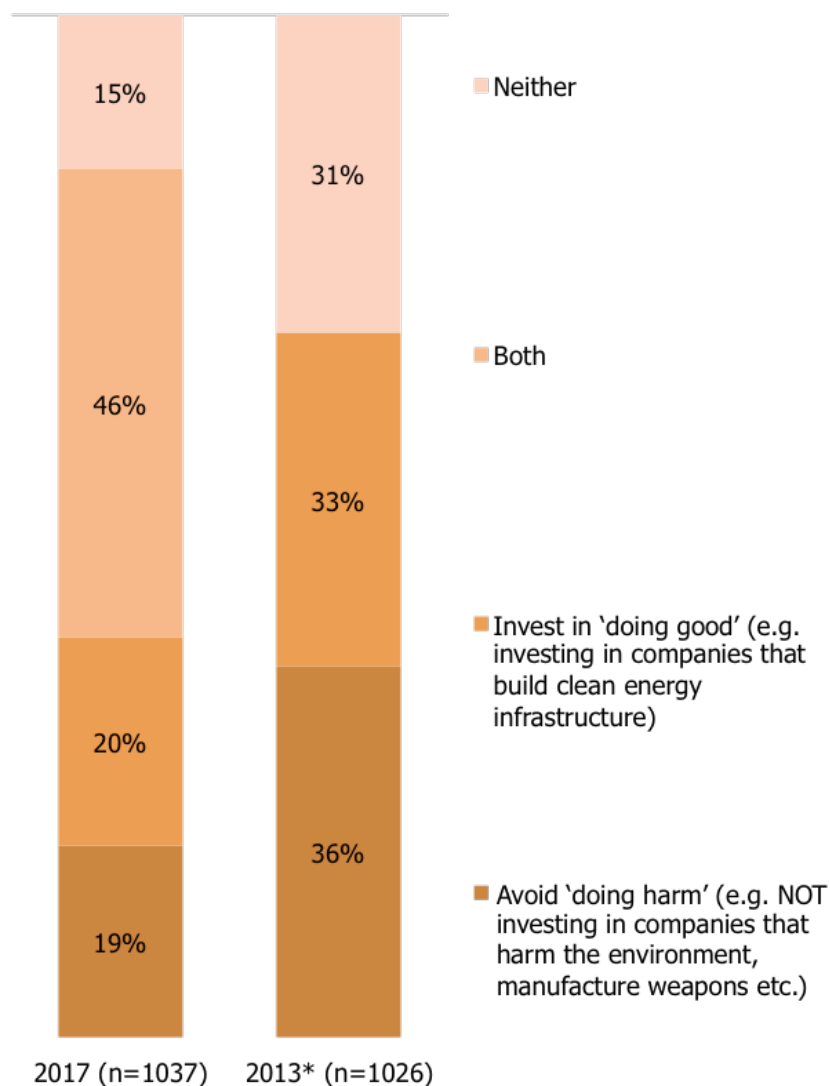


Would you rather invest in a super fund that...? Base: Gen Pop 18+

Doing good vs avoiding doing harm

- The vast majority (85%) of Australians believe it is important for a super fund to invest money responsibly, such as through investing in companies that build clean energy infrastructure or avoiding investments that can harm communities such as weapons manufacturing. This has increased from 69% in 2013*.
- 20% of Australians believe it is more important for a super fund to invest in “doing good”, whilst 19% think it is more important to avoid “doing harm”. Nearly half (46%) believe it is more important for super funds to do both.

Figure 3: Doing Good vs Avoiding Harm – change on 2013



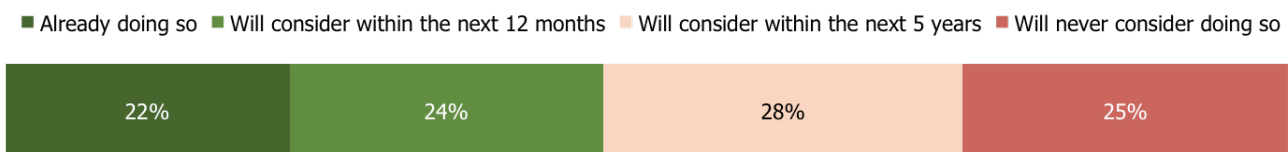
Is it more important for a super fund to...? Base: Gen Pop 18+

*Caution: results from 2013 are not strictly comparable to 2017 data due to a change in response text

Consideration of making responsible investments

- 22% of Australians state they are already invested in ethical companies, funds or super funds that aim to create positive social and environmental outcomes.
- 53% of Australians stated they will to consider this in the next 1 to 5 years – a massive quarter of the population (24%) will consider investing in ethical companies, funds, or superannuation funds within the next 12 months.

Figure 4: Consideration of investing in ethical companies or funds



When, if ever, would you be most likely to consider investing in ethical companies, funds or superannuation funds that aim to create positive social and environmental impacts? Base: Gen Pop 18+ (n=1,037)

Social and environmental issues of interest and concern

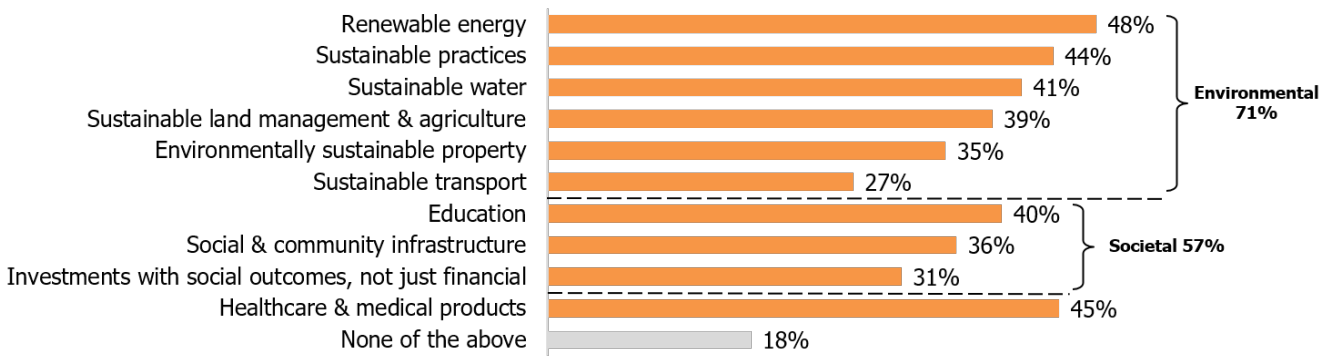
Whether consumers are making a purchase or considering making an investment, the vast majority of Australians believe there are a number of important issues that warrant consideration.

The main issues Australians find important when thinking about investing are renewable energy, healthcare and medical products and sustainable practices, however when it comes to avoiding investments that do harm, Australians feel most strongly about animal cruelty and human rights violations.

Considerations when thinking about investing:

- When thinking about investing, 4 in 5 (82%) Australians consider important social issues.
- The top three issues Australians find important when thinking about investing are renewable energy (48%), healthcare and medical products (45%), and sustainable practices (44%).
- 7 in 10 (71%) Australians believe environmental issues are important in regards to investing their money, and societal issues are important to 57% of Australians.
- Women are more likely than men to be concerned about every issue in regards to investing their money – most particularly for healthcare and medical products (54%; cf. men 35%), and education (47%; cf. men 32%).
- Millennials are the most likely to consider societal issues important in regards to investing (62%; cf. Gen X 56%, Baby Boomers 55%).

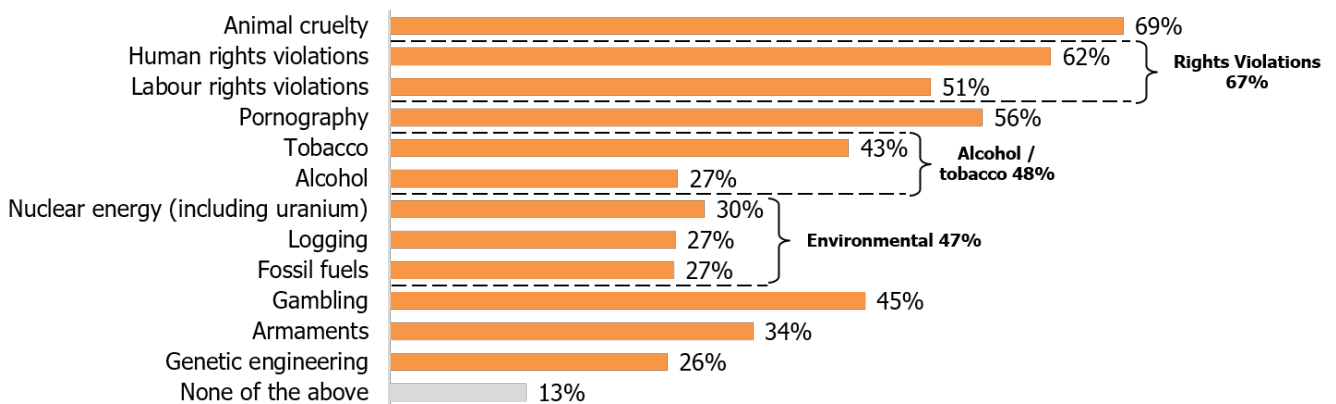
Figure 5: Investing in important social issues



Which of the following are important issues to you in regards to investing your money (including superannuation and other investments)? Note: if you don't currently have any investments, please answer hypothetically. Base: Gen Pop 18+ (n=1,037)

- Nearly 9 in 10 (87%) Australians have important issues they avoid investing their money into.
- The top three things Australians want to avoid investing in are animal cruelty (69%), human rights violations (62%), and pornography (56%).
- Two thirds (67%) of Australians will avoid investments linked to rights violations, 48% will avoid investments linked to alcohol/tobacco and 47% avoid investments linked to environmentally harmful activities.
- Women are more likely than men to be concerned about every issue in regards to avoiding where they invest their money – most particularly animal cruelty (74%; cf. men 64%), pornography (65%; cf. men 46%), and gambling (51%; cf. men 38%).
- Women are more likely to avoid investments linked to activities where the environment is damaged (53%; cf. men 41%) – including nuclear energy (37% cf. men 22%), when logging occurs (32%; cf. men 22%), and in the use of fossil fuels (31%; cf. men 23%).

Figure 6: Avoiding investment in issues of social harm

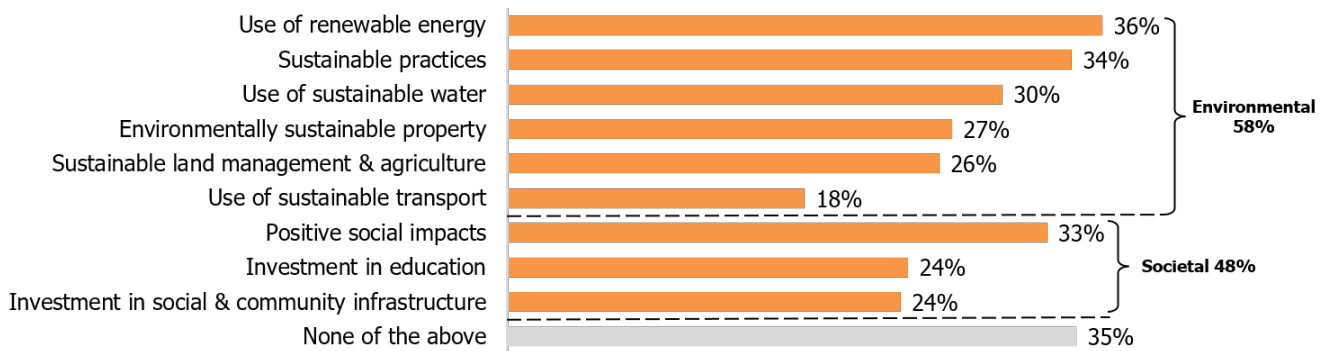


Which of the following are important issues to avoid in regards to investing your money (including superannuation and other investments)? Note: if you don't currently have any investments, please answer hypothetically. Base: Gen Pop 18+ (n=1,037)

Considerations when making a purchase:

- Two thirds (65%) of Australians consider social issues when making a purchase. The top three most important issues are the use of renewable energy (36%), sustainable practices (34%), and positive social impacts (33%).
- Millennials are the most likely to consider social issues when purchasing products or services (74%; cf. Gen X 64%, Baby Boomers 59%).
- 58% of Australians consider environmental impacts, and 48% consider the societal impacts of a company when purchasing their products or services.

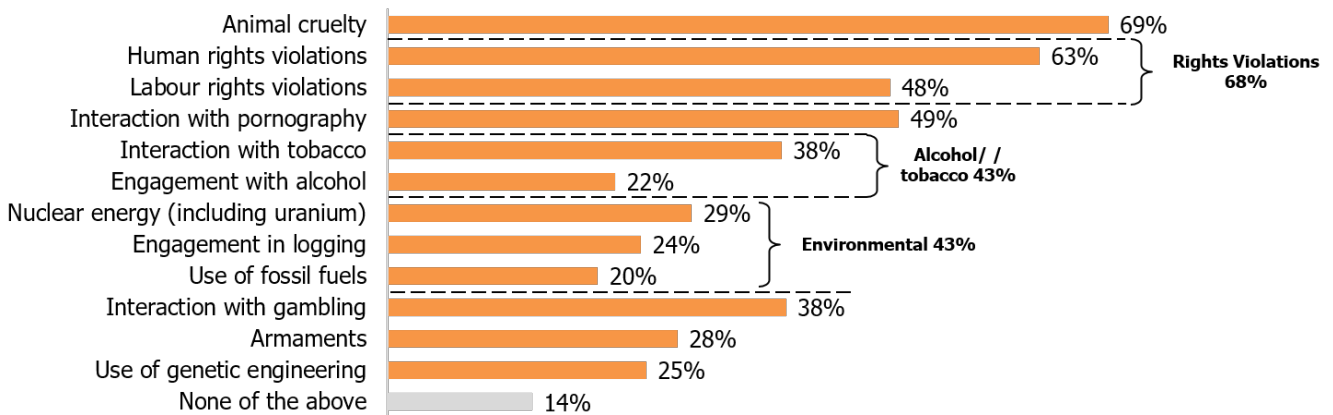
Figure 7: Consideration of social impacts when making a purchase



When thinking about companies or organisations you buy products or services from, or generally when making a purchase, which of the following social issues do you find important, or do you consider? Base: Gen Pop 18+ (n=1,037)

- Nearly 9 in 10 (86%) Australians have important social issues that would discourage them, or make them reconsider, purchasing from a company.
- The top three red-flags for Australians to reconsider a purchase are when organisations are linked to animal cruelty (69%), human rights violations (63%), or pornography (49%).
- Two thirds (68%) of Australians are discouraged from, or reconsider, a purchase if a company is linked to rights violations, 43% to alcohol/tobacco, and another 43% if harming the environment.

Figure 8: Reconsidering support of companies with negative social impacts



When thinking about companies or organisations you buy products or services from, or generally when making a purchase, which of the following issues would discourage you from, or make you reconsider, a purchase? Base: Gen Pop 18+ (n=1,037)

Consumer need for information

To underpin consumer confidence in responsible investment, there is a need for greater independent information.

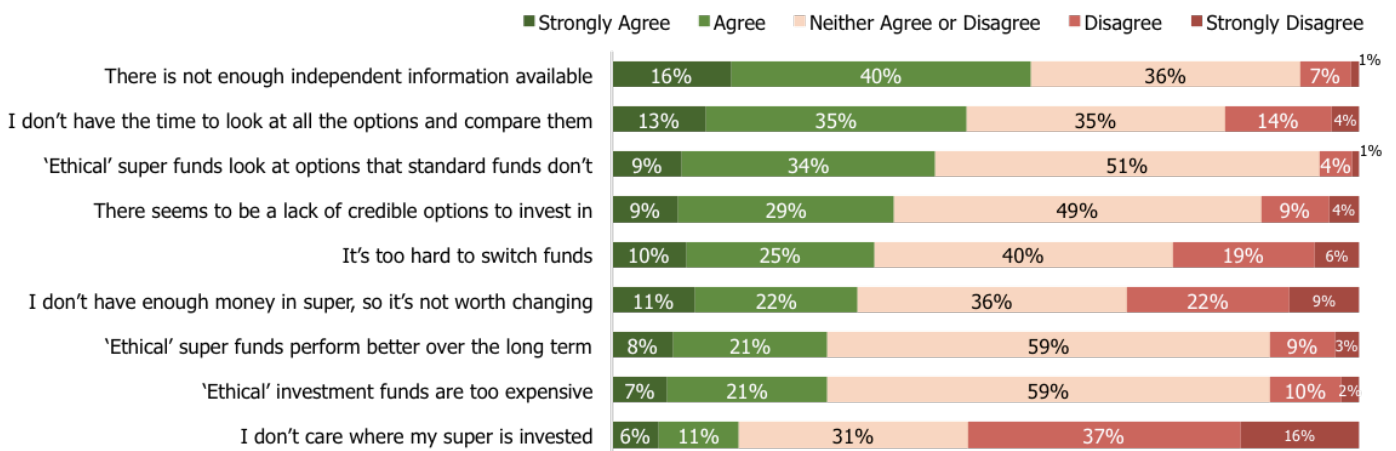
- 56% of Australians believe there is not enough independent information available regarding switching to a responsible or ethical super fund (or option within a super fund).

Importance of responsible investment certification

Independent certification is an important marker for distinguishing and attracting responsible investors.

- 6 in 7 (86%) Australians agree they would be more likely to invest in an organisation, fund or product that has been certified by an independent third party for its responsible investment practices.
- Millennials are the most likely to agree they would be more likely to invest in an organisation, fund or product that has been certified by an independent third party for its responsible investment practices (93%; cf. Gen X 85%, Baby Boomers 83%).

Figure 9: Attitudes to Information about responsible investments



Do you agree or disagree with the following statements regarding switching to a responsible or ethical super fund (or option within a super fund)?
Base: Gen Pop 18+ (n=1,037)

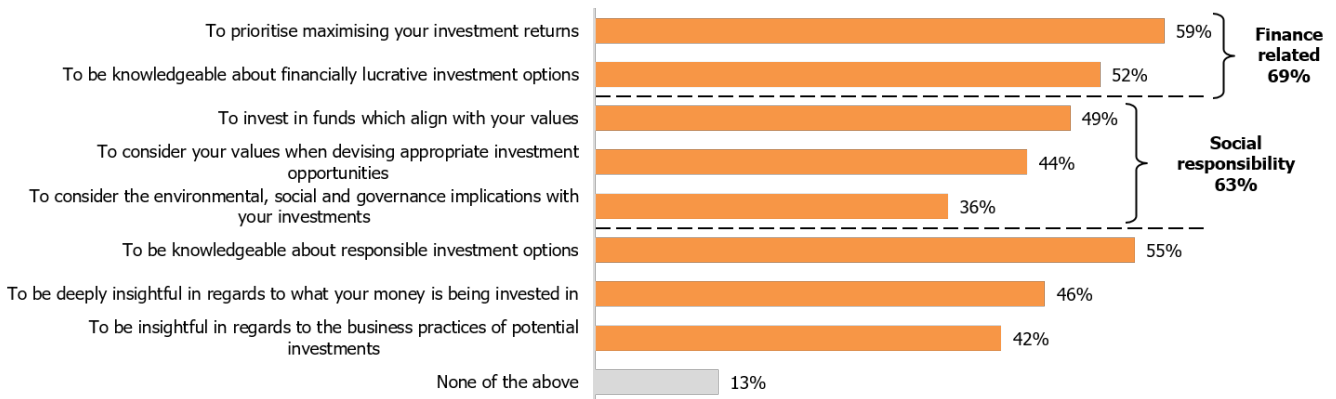
Role of advisers

Expectations of financial advisers has also evolved with consumers wanting advice and investments to cover their values as well as their risk appetites.

This call to action for advisers comes on the back of strong data showing that Australians expect their adviser to be knowledgeable about responsible investment options, second in importance only to prioritizing maximizing investment returns and above being knowledgeable about financially lucrative investment options.

- Half of Australians (49%) expect their advisers to invest in funds which align with their values.
- 63% of Australians expect their advisers to incorporate their values or consider the societal or environmental implications of particular investments.

Figure 10: Expected Financial Adviser Standards



When working with a financial advisor, which of the following, if any, would you expect of them?

Note: if you don't work with a financial advisor, please answer hypothetically.

Base: Gen Pop 18+ (n=1,037)

Millennials and women

Millennials are the segment most likely to act on their beliefs and expectations of organisations to deliver them quality and trustworthy responsible investments.

- Millennials are the most likely group to:
 - prefer to invest in a responsible superfund than a fund that only considers maximising financial returns (75%; cf. Gen X 66%, Baby Boomers 68%).
 - consider investing in ethical companies, funds or superannuation funds in the future, or are already doing so (88%; cf. Gen X 73%, Baby Boomers 65%).
 - consider changing super providers or other investments to another provider if their current fund engaged in activities not consistent with their values (88%; cf. Gen X 77%, Baby Boomers 68%).
 - agree they would be more likely to invest in an organisation, fund or product that has been certified by an independent third party for its responsible investment practices (93%; cf. Gen X 85%, Baby Boomers 83%).
- Millennials are the most likely to consider societal issues important in regards to investing (62%; cf. Gen X 56%, Baby Boomers 55%).

When compared to men, women tend to have a greater preference for and expectations around responsible investing:

- Women are more likely to strongly expect their super or other investments to be invested responsibly and ethically (57%; cf. men 42%), as are Baby Boomers (58%; cf. Millennials 44%, Gen X 44%).
- Women are more likely to prefer to invest in a responsible super fund, than a fund that only considers maximising financial returns (72%; cf. men 67%). This has risen 20% since 2013 (60%).
- Women are marginally more likely to believe it is important for a super fund to make responsible investments (87%; cf. men 83%), and they are 43% more likely to believe it is more important for a super fund to both 'do good' and 'avoid harm' (54%; cf. men 38%).

Figure 11: Doing Good vs Avoiding Harm – by gender and generation

	Total	Men	Women	Millennials	Gen X	Baby Boomers
Invest in "doing good"	20%	23%	17%	32%	19%	11%
Invest in "doing harm"	19%	22%	16%	22%	19%	17%
Both	46%	38%	54%	37%	48%	51%
Neither	15%	17%	13%	9%	15%	21%

ⁱ GSIA (2017) *Global Sustainable Investment Review 2016*, Global Sustainable Investment Alliance, London
RIAA (2017) *Responsible Investment Benchmark Report 2017 Australia*, Responsible Investment Association Australasia, Sydney

ⁱⁱ Ibid

RIAA (2016) *Responsible Investment Benchmark Report 2016 Australia*, Responsible Investment Association Australasia, Sydney

RIAA (2015) *Responsible Investment Benchmark Report 2015 Australia*, Responsible Investment Association Australasia, Sydney

ⁱⁱⁱ RIAA (2017) *Responsible Investment Benchmark Report 2017 Australia*, Responsible Investment Association Australasia, Sydney