Response to ABC Investigations sustainable investment media inquiry

The following statement can be attributed to Dr Ross Barry, Chief Investment Officer, Spirit Super

The term ‘sustainable investment’ has not yet been defined by regulatory bodies within Australia.

As a fund that's committed to prioritising environmental, social and governance (ESG) considerations in the allocation of capital, Spirit Super is actively engaged in discussions designed to create greater clarity and consistency across the superannuation and investment sectors.

Without an agreed definition funds are free to develop their own bespoke explanations and approaches, and some have more exclusions than others. Spirit Super rejects the premise implicit in the questions that to be sustainable a fund has to include/ exclude certain things.

We seek to generate long term risk adjusted financial returns for our members while contributing to positive environmental and social outcomes. We offer investment choices so that members who wish can exercise greater control over the investment of their retirement savings.

Spirit Super have set ourselves an ambitious target to reduce our total financed CO2e emissions by 50% by 2030 relative to a 2021-22 base year. At the portfolio level we seek to find the most effective way to reduce total portfolio emissions (ie: not just the Sustainable option) in line with this target pathway and without materially impacting returns to our members retirement savings. So far, we have achieved a reduction of approximately 20% after just the first year.

Spirit Super’s Sustainable Option is focused on providing a choice option to members seeking a stronger reflection of our ESG integration and impact investing activities, particularly with respect to environmental sustainability and our associated carbon reduction efforts.

More specifically, the Sustainable Option:

- Only allocates to managers that have very strong ESG integration processes of their own.
- Only allocates to investment managers within Australian and Global Shares that have an explicit carbon reduction target, or otherwise have a process that leads to much lower holdings in carbon-intensive companies and sector industries – for instance, in Global Shares, the Sustainable Option allocates to three external managers who all have an explicit objective of targeting CO2e emission intensity 20% or more below the benchmark.
- Excludes any ‘direct’ investment in unlisted assets (Infrastructure, Property and Private Equity) that are primarily involved in fossil fuels (this does not include pooled fund investments as we cannot control what these funds might allocate to in the future).
- Spirit Super has not chosen to position its sustainable option as one that is fully renewable though we continually review our investment options. The thermal coal exclusion is fairly recent, and we still have some residual holdings due mainly to one ‘pooled fund’ (which commingles other investors and therefore we cannot give instructions to them to exclude things) – this fund is set to be replaced in 2024

Our Sustainable option is similar to its Balanced (MySuper) option, except it has a higher weighting within each asset class to managers and assets with stronger ESG credentials. For example, all managers with the Global shares asset class for the Sustainable option have specific carbon reduction targets in their mandated guidelines. The Sustainable option also excludes any investment in infrastructure assets involved in coal-fired power generation.

The statement that the sustainable investment option excluding assets within the infrastructure asset class should not be confused with holdings in the equities asset class.