Inquiry into the United Nations Sustainable Development Goals (SDGs)

Thank you for the opportunity to provide a submission on the SDGs.

About Cbus

Cbus is the leading Australian Industry Super Fund for all those working in the building, construction and allied industries. As one of Australia’s largest super funds, we provide superannuation to more than 755,000 members and we manage over $43 billion of our members’ money.

Cbus is a significant investor in the Australian economy and also globally. We invest to maximise long-term value for members and the society in which they work and retire. Cbus is a leader in direct investment in property, creating a virtuous circle where part of our members’ retirement savings is invested into their industry creating jobs today and a secure retirement tomorrow. Cbus is proud to have delivered an average of 9.24% per year to our members over the past 33 years.

Responsible Investment

Cbus believes that we can improve long term returns for our members through active involvement in environmental, social and governance issues. This is a key foundation of how we approach investment and consider this a core part of our fiduciary duty.

As a long-term investor, we believe companies in which we invest that take account of environmental, social and governance factors are more likely to have sustainable business models. Therefore, an ability to generate long term shareholder returns for our beneficiaries.

Cbus considers the SDGs represent the next evolution in responsible investment by providing a globally agreed framework for sustainable development. They can help inform our long-term investment strategy, support investment returns and enable us to articulate the impact our investments will have on the broader economy, environment and the society in which our members work and retire.

SDG Inquiry

This submission will address sections a, b, c, d and h of the terms of reference. The response is based on relevance to Cbus superannuation fund as an asset owner and companies in which we invest.

We support submissions made by other organisations including the Principles of Responsible Investment (PRI), Australian Council Superannuation Investors (ACSI), also, Professor Carol Adams and other industry superannuation funds.
Recommendations

Cbus has made several recommendations that may assist to inform the strategic approach for the Australian Government.

**Recommendation 1:** The Australian Prudential Regulation Authority (APRA) should update paragraphs 34 and 36 of Prudential Practice Guide SPG 530 Investment Governance (and equivalent prudential standards/guidance applicable to its regulated banks and insurers) to clarify to superannuation funds that ESG issues are material to risk and return analysis. They therefore should be incorporated alongside other risk and return factors in investment decision making.¹

**Recommendation 2:** Governance responsibility for Australia’s response to the SDG’s should rest in a secretariat within the Department of Prime Minister and Cabinet.

**Recommendation 3.** Government adopt/support the Monash Sustainable Development SDG Transforming Australia project for baseline and measurement.

a. The understanding and awareness of the SDGs across the Australian Government and in the wider Australian community;

Awareness of the SDGs is growing in Australia but is still limited to a selection of institutional investors (asset owners and fund managers) and largest ASX listed companies. Global awareness in the investment community is largely driven by the work undertaken by the Principles for Responsible Investment (PRI) and locally by the Australian Council for Superannuation Investors (ACSI) and Responsible Investment Association Australasia (RIAA).

Understanding of the SDGs is also increasing in the investor community. The PRI has developed an SDG investment case to assist asset owners understand how they can contribute to the realisation of the SDGs ([https://www.unpri.org/sdgs/the-sdg-investment-case/303.article](https://www.unpri.org/sdgs/the-sdg-investment-case/303.article)). This includes demonstrating alignment with investors’ fiduciary obligation.

Similar to incorporating environmental, social and governance factors into investment decisions, broader adoption of the SDGs by asset owners could be facilitated by clarification of fiduciary duty. This has been well articulated by the PRI in their SDG Investment case and other work in this area ([https://www.unpri.org/sustainable-markets/sustainable-financial-system/fiduciary-duty](https://www.unpri.org/sustainable-markets/sustainable-financial-system/fiduciary-duty)).

Cbus endorses the recommendation below made in the Report, *Fiduciary Duty in the 21st Century – Australia Roadmap*.

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¹ - Recommendation 1 from *Fiduciary Duty in the 21st Century – Australia Roadmap*, 2016 (PRI)
b. Potential costs, benefits and opportunities for Australia

The SDGs can provide a significant economic opportunity for Australia by providing investment opportunities and job creation. There have been several reports that support the potential of the SDGs to drive future economic growth (for example [http://report.businesscommission.org/](http://report.businesscommission.org/)).

From an investment perspective, the UN Commission on Trade and Development (UNCTAD) estimates that meeting the SDG will require US$5 trillion to US$7 trillion in investment each year from 2015 to 2030.

While government spending and development assistance will contribute, significant private sector investment, including asset owners, are key to achieving the SDGs, either through new allocations or by re-routing existing capital flows.

Realisation of the SDGs globally also provides an opportunity to indirectly contribute to the Australian economy. Commitment to the SDGs can help support the ongoing success of the superannuation system in achieving good return outcomes on which Australian people are reliant for retirement. This system is currently at $2.3 trillion in investments projected to increase by $9 trillion by 2035.

Asset owners, by nature of the size of their funds and requirement to diversify their investments, are required to invest across global markets. Therefore, the success of Australian superannuation system and ability of funds to achieve good returns is also reliant on a strong global economy.

c. Governance structures and accountability measures & performance monitoring and communication

Given the wide-ranging ambition of the SDGs, their importance for future global economic growth and requirement for economy wide solutions, Cbus suggests that an all-of-government approach is required in our nation’s response.

*Recommendation 2: Governance responsibility for Australia’s response to the SDG’s should rest in a secretariat within the Department of Prime Minister and Cabinet.*

We further recommend that this Secretariat be tasked with developing and propagating a national implementation plan, drawing on global best practice to date, to provide a consistent and coherent strategy for Australia’s contribution to the goals.

d. How can performance against the SDGs be monitored and communicated in a way that engages, government, businesses and the public and allows effective review of Australia’s performance by civil society

A key priority is establishing a baseline of measurement. This will help inform the SDGs to which Australia can meaningfully contribute and enable the government to measure outcomes and performance against the associated goals and targets.

Cbus, along with peer funds, is supporting and actively contributing to the Monash Sustainable Development Institute SDG Transforming Australia project. This is to create a baseline for how Australia is progressing on the SDGs.

*Recommendation 3. Government adopt/support the Monash Sustainable Development Institute SDG Transforming Australia project*
h. Examples of global best practice

Pension funds

Cbus has been working with leading pension funds in Europe, including PGGM and APG, based in The Netherlands.

We have identified six SDGs that we consider we can meaningfully contribute to.² We are examining a range of approaches to understand how we can shift capital to new investment opportunities that facilitate achieving the SDGs. The six SDGs that were identified are directly relevant to the value of our investments. We recognise the interconnectedness and therefore any of our strategic activities may contribute to more than one SDG.

Cbus has supported a taxonomy developed by the Dutch pension funds. The purpose is to provide guidance on the SDGs to which capital can be allocated by the private sector. This work could help guide investors in making contributions to the SDGs and provides an insight to what could be achieved domestically.

Member organisations

Cbus is a member of the PRI and contributes to the significant work they have undertaken on the SDGs for investors.

Countries and regions

The SDGs provide a framework for sustainable development. Both the EU and China, as economies, have recognised the need to move towards a sustainable financial system for future economic growth. This includes the work by the EU High-level Expert Group on Sustainable Finance and the People’s Bank of China and six other agencies in developing “Guidelines for Establishing the Green Financial System”³.

Conclusion

Cbus supports this SDG inquiry and encourages the Australian government to take a leadership position on sustainable development. We also welcome the opportunity for the broader business and investor community to help shape the strategic approach on this important initiative.

Please feel free to contact James Bennett, Public Policy & Media Officer, on (03) 9910 0218 if you have any questions in relation to this submission.

Yours sincerely

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