

Wages of sin: who are you funding?

Surgeon Benjamin Cook says super's sin stocks are 'bizarre'. *Photo: Luis Enrique Ascui*



DO YOU support tobacco companies, gambling and the makers of weapons and pornography? Before you answer no, you might want to check your superannuation fund.

Ethical investment researchers say many Australians are unwittingly investing in "sin stocks" because they have not examined their super funds or because their funds do not actively promote their investments.

Melbourne surgeon Benjamin Cook is one of those taken by surprise.

He was horrified to learn that one of his funds, Health Super, counted Imperial Tobacco Group, British American Tobacco and Philip Morris International in its top 10 international investments despite marketing itself as the "fund for people who care".

The discovery prompted him to dump the multibillion-dollar fund, which represents about 200,000 health and community service workers.

"I'm an ear, nose and throat surgeon who sees throat cancer every day, so to think we're blindly supporting tobacco is bizarre," he said.

Sarah Clawson, of the Responsible Investment Association of Australasia, said despite a shift towards more "socially responsible" or "sustainable" investments in the super industry over the past decade, many funds still invested in companies that some people might consider unethical.

For example, people passionate about environmental sustainability may be shocked to find their money in mining stocks or companies that log old-growth forests, she said. Companies that made gaming machines, liquor, tobacco products, armaments and pornography were also commonly found in fund portfolios.

She said that only about 35 of more than 400 super funds in Australia had signed up to the United Nations Principles for Responsible Investment but she hoped the number would grow as more people challenged their funds to invest more ethically.

"It usually takes a scandal for people to think 'What is my super doing?'," she said. "For example, back in 2008 in the Netherlands, people found out that their fund was investing in cluster bombs ... People took to the streets and it made the fund change its policy."

Chris Clausen, former chief executive of Health Super and now deputy chief executive of First State Super, the company Health Super was in the process of merging with, said although the fund did not condone smoking or necessarily want to support tobacco companies, the reality was that "from an investment hypothesis, tobacco companies stack up".

He said that while Health Super had a socially responsible investment option that excluded tobacco companies among others, only about 2000 of its 200,000 members had taken it up over the past eight years.

Mr Clausen said one employer had been asking the fund to stop investing in tobacco companies, a demand that was being considered.

Nathan MacPhee, the chief executive of superannuation research company Super Ratings, said if people wanted to choose ethical investments, they should consider the relationships between companies because they might find worrying layers of investment beneath a seemingly innocuous stock.

For example, if someone wanted to avoid gambling, they may choose to eliminate Woolworths, given it was one of the largest owners of poker machines.

While this approach could take hours of research, Mr MacPhee said the effort could be worthwhile.

"You're generally not sacrificing performance if you choose socially good investments ... the evidence we have is that they perform similar to the mainstream and in some cases, they're in front."