



QUIT NUKES

THE CASE FOR AUSTRALIAN
SUPERANNUATION FUNDS TO BE
NUCLEAR WEAPONS FREE

EXECUTIVE SUMMARY

2021 REPORT

This report was produced by The Australia Institute and Quit Nukes, December 2021, on unceded Aboriginal land.

We acknowledge that sovereignty has never been ceded and pay our respects to Indigenous elders past and present.

We would like to acknowledge the Australian superannuation funds that have liaised with Quit Nukes in the production of this report.

DISCLAIMER

This report has been developed using publicly listed corporate reporting, however this analysis is general in nature and may not provide a full and fair representation of company disclosure. The information in this report should not be interpreted as investment or legal advice, and is provided for general information purposes only.

DISCLOSURE

Some contributors to the report may be members of the funds examined herein.

Cover image: Campaigners celebrate the adoption of the Treaty on the Prohibition of Nuclear Weapons by the United Nations, July 2017. Image credit: ICAN

TO CITE THIS REPORT

The Australia Institute and Quit Nukes (2021) *Quit Nukes: The Case for Australian Superannuation Funds to be Nuclear Weapons Free*

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ABOUT QUIT NUKES

Quit Nukes is a joint project of the Medical Association for Prevention of War (MAPW) and the International Campaign to Abolish Nuclear Weapons (ICAN) Australia.

MAPW is the Australian affiliate of 1985 Nobel Peace Prize Laureate, International Physicians for the Prevention of Nuclear

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War and the founder of ICAN. MAPW works for the redirection of the world's resources away from war and towards peace, health and justice.

ICAN is a coalition of non-governmental organisations in more than one hundred countries, promoting adherence to and implementation of the United Nations Treaty on the Prohibition of Nuclear Weapons. ICAN was awarded the 2017 Nobel Peace Prize.

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Download the full report at:
quitnukes.org/report

EXECUTIVE SUMMARY

This report examines the policies of the largest Australian superannuation funds, highlighting their investments in companies involved in nuclear weapons development, production and maintenance (nuclear weapons companies).¹

In January 2021, the UN Treaty on the Prohibition of Nuclear Weapons (TPNW) entered into force, finally making nuclear weapons illegal under international law.

These weapons join chemical weapons, biological weapons, landmines and cluster munitions as undeniably controversial weapons (CW), causing massive indiscriminate civilian deaths. They are the worst of all weapons of mass destruction, able to induce climate change in an afternoon.

This report analyses superannuation funds' website promotional statements, product disclosure statements and actual holdings to determine the extent to which Australia's superannuation industry is financing nuclear weapons.

¹ Australian Taxation Office (n.d.) YourSuper comparison, <https://www.ato.gov.au/YourSuper-Comparison-Tool/>

The findings show a wide variation. There is clearly a lack of disclosure of holdings by many funds.

A number of funds have principled website statements and considerably different policies that enable nuclear weapons investments. This may mislead prospective and existing fund members, most of whom will not read the detailed product disclosure statements (PDS).

Six Australian superannuation funds are leading the way. They are already divested from all companies that derive revenue from nuclear weapons: Active Super, Australian Ethical, Christian Super, Crescent Wealth, Future Super and Verve Super.

At the other end of the spectrum is AustralianSuper, who have well over a billion dollars in nuclear weapons companies. IOOF also stands out as they do not currently employ a screening approach to controversial investments.²

² IOOF (2021) APRA Regulated Entity Responsible Investment Position Statement, <https://ioof-p-001-delivery.sitecorecontenthub.cloud/api/public/content/136212-Proxy-Voting-Policy.pdf>, accessed November 2021.

There is a marked disconnect between how funds present their investment policies, and what they actually do.

Nuclear weapons are controversial weapons, but in many cases the fine print shows they are not counted as such for the purpose of exclusion.

Two funds say they exclude nuclear weapons, when in reality the PDS' fine print indicates percentage materiality considerations and thresholds that allow considerable financing.

Nine funds highlight their exclusion of controversial weapons, but do not include nuclear weapons in the definition, so continue to invest in nuclear weapons companies.

At the time of writing, one fund, Hostplus, has committed to include nuclear weapons in their definition of controversial weapons from January 2022 onwards, thereby divesting their holdings in all nuclear weapons companies.

Aware Super has committed to review their policy early in 2022 and CareSuper has divested their nuclear weapons producer holdings, noting they will actively engage with investment managers on this issue.³

Five funds exclude nuclear weapons from their 'socially or environmentally responsible' options only.

Two funds claim to be nuclear weapons-free, but closer inspection reveals they allow producers in countries that are signed

³ Correspondence with Hostplus, Aware Super and CareSuper, November 2021.

69%

Seven in ten (69%) Australians agree that their super fund should not invest in companies that are involved in nuclear weapons production.

78%

Four in five (78%) Australians agree that their super fund should clearly state whether they invest in companies that are involved in nuclear weapons production.

71%

Seven in ten (71%) Australians who have a superannuation fund do not know or are unsure as to whether their superannuation fund invests in companies involved in nuclear weapons production.

69%

Seven in ten (69%) Australians would expect nuclear weapons to be included in 'controversial weapons.' Only 10% would expect them to not be included.

Source: The Australia Institute (2021) *Polling - Nuclear weapons in superannuation*

KEY FINDINGS

Most major Australian superannuation funds have holdings in nuclear weapons companies.

Many exclude controversial weapons, but continue to invest in nuclear weapons companies.

Members do not want their superannuation to support nuclear weapons companies.

There is a marked disconnect between what members want and think their funds are doing, and what superannuation funds are actually doing.

Divestment from nuclear weapons companies is compatible with trustees' fiduciary duties as it is not expected to have any material impact on superannuation funds' returns to members.

up to the Nuclear Non-Proliferation Treaty (NPT), five of which are nuclear-armed states, therefore excluding just a few of the smaller manufacturers.

Two funds do not seem to make any effort to exclude controversial weapons or nuclear weapons, ignoring the ethics of investing and the principles of international law altogether.

To ensure funds are not passively investing in nuclear weapons producers, they should adopt clear exclusion mandates for the indices they use for their passive investments, and ensure that all ETFs invested in, whether in premixed or DIY options, exclude such companies.

We recognise the challenges of funds' existing investment mandates and encourage funds to review their holdings. The 'Case for Divestment' section provides an unambiguous rationale for change. The reasons used by offshore financial institutions were identified and we argue that the same reasons apply to Australian superannuation funds.

Importantly it highlights that divestment is compatible with trustees' fiduciary duties because it is not expected to have any material impact on diversification and returns.

We welcome the Responsible Investment Association of Australasia's recent update of the minimum requirements of its Responsible Investment Standard, which specifies that responsible investment products must, at a minimum, avoid significant harm.

Divestment is compatible with trustees' fiduciary duties because it is not expected to have any material impact on diversification and returns.

In light of the changing international norm brought about by the TPNW this now recognises nuclear weapons as controversial weapons, thereby compelling RIAA certified products to be clear of nuclear weapons producers.

Many senior fund managers have met with Quit Nukes directors since the project launched two years ago, and many have expressed their surprise that there are only around 25 nuclear weapons companies globally.⁴

⁴ Quit Nukes (2021) Nuclear Arms Producers <https://quitnukes.org/producers/>, accessed November 2021.

Our analysis demonstrates clear ethical, legal, reputational and fiduciary reasons for divestment. Further, there is no material benefit for members with ongoing investment by Funds.

There is growing momentum as the UN Treaty on the Prohibition of Nuclear Weapons is now in force and continues to gain signatories and states parties. That nuclear weapons are unacceptable, inhumane and illegal is now beyond doubt. Financing nuclear weapons is a form of assistance with their production, which is outlawed by the TPNW. Major financial institutions, including the world's largest pension fund (Norway) are increasingly divesting, citing the TPNW as a key driver of that change.

In short, the nuclear weapons industry faces increasing divestment internationally and an uncertain regulatory future.

It is clear from an ethical and regulatory perspective that nuclear weapons pose an unacceptable risk, both to Australians' financial best interests and to the planet.

Superannuation consumers are increasingly interested in what their retirement savings are used for. This report enables members and consumers to see what is actually hap-

pening 'under the bonnet'. This empowers members to take action and prospective members to make a more informed choice.

It is time for superannuation funds to recognise that investing in these abhorrent weapons is neither ethically acceptable nor financially responsible.

RECOMMENDATIONS FOR FUNDS

Assess the size of holdings in nuclear weapons producers in each investment option, including any DIY option, and report this publicly.

Clearly define nuclear weapons as controversial weapons in all policies.

Develop policies that exclude nuclear weapons producers, regardless of their location, with a 0% revenue threshold.

Reflect the will of the seven in ten members that expect nuclear weapons free superannuation.

Divest from holdings in nuclear weapons companies.

Summary of Australian superannuation funds' policies, holdings and next steps

This exhibit provides a brief snapshot of what fund websites and documents state, whether the fund is invested in nuclear weapons companies, and our overall recommendation for positive change.

Fund	What fund materials say	What the fund does	Next steps
Active Super	Excludes controversial weapons, including nuclear weapons.	Excludes nuclear weapons.	Ensure funds not under active measurement are in line with policy to exclude nuclear weapons.
AustralianSuper	No exclusion of nuclear weapons or controversial weapons more broadly. Only the Socially Aware option excludes landmines and cluster munitions.	Invests \$1.5bn in nuclear weapons companies.	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.
Aware Super	Excludes controversial weapons, but the definition doesn't include nuclear weapons.	Invests in at least 12 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.
BT Funds Management	Excludes nuclear weapons companies based in certain countries only. This only applies to internally managed investments.	Invests in at least 15 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons to exclude producers, regardless of location, from all portfolios, with a 0% revenue threshold.
CareSuper	Policy exclusion of controversial weapons, including nuclear weapons, for the Sustainable Balanced option only. No policy on the rest of the portfolio.	Invests in at least 2 nuclear weapons companies. (Just prior to publication, CareSuper confirmed they have divested their nuclear weapons holdings.)	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.

Fund	What fund materials say	What the fund does	Next steps
Catholic Super	No mention of controversial or nuclear weapons exclusion.	Invests in at least 3 nuclear weapons companies.	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.
Cbus	Excludes controversial weapons, with no definition or mention of nuclear weapons; except DIY where there are no exclusions.	Invests in at least 6 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.
Colonial First State	Excludes nuclear weapons companies based in certain countries only.	Invests in at least 17 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.
Commonwealth Superannuation Corporation	Excludes some controversial weapons, but the definition doesn't include nuclear weapons.	Invests in at least 1 nuclear weapons company.	Extend the divestment policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.
Energy Super	Only the socially responsible option excludes controversial weapons and nuclear weapons.	Invests in at least 9 nuclear weapons companies.	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.
HESTA	Only excludes companies which derive more than 5% of revenue from nuclear weapons across the whole portfolio, with no threshold in the sustainable growth option.	Invests in at least 14 nuclear weapons companies.	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.

Fund	What fund materials say	What the fund does	Next steps
Hostplus	Definition of controversial weapons did not include nuclear weapons, but it will from January 2022.	Invests in at least 8 nuclear weapons companies.	Prior to publication, the Hostplus board agreed to include nuclear weapons in the definition of controversial weapons, thereby excluding producers from all portfolios, with a 0% revenue threshold. This will apply in January 2022.
IIOF, including ANZ Smart Choice Super and MLC Super	No exclusion of nuclear weapons or controversial weapons more broadly.	No disclosure.	Implement an exclusion policy for controversial weapons to ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold.
LGIAsuper	Only the socially responsible option excludes controversial weapons and nuclear weapons.	No disclosure.	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.
Mercer	Excludes controversial weapons, but the definition doesn't include nuclear weapons.	Invests in at least 13 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.
NGS	Only the socially responsible option excludes companies that derive more than 5% revenue from controversial weapons.	Invests in at least 18 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.

Fund	What fund materials say	What the fund does	Next steps
QSuper + Sunsuper	QSuper excludes controversial weapons, but the definition doesn't include nuclear weapons; except DIY where there are no exclusions. Only Sunsuper's Socially Responsible option excludes nuclear weapons companies, subject to a 5% revenue threshold.	QSuper invests in at least 13 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.
Rest Super	Excludes controversial weapons, but the definition doesn't include nuclear weapons.	Invests in at least 8 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.
Telstra Super	Excludes some controversial weapons but not nuclear weapons.	Invests in at least 12 nuclear weapons companies.	Include nuclear weapons in the definition of controversial weapons and exclude them from all portfolios, with a 0% revenue threshold.
UniSuper	Only the socially responsible option excludes companies that derive more than 0.5% revenue from weapons.	Invests in at least 7 nuclear weapons companies.	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.
Vision Super	Excludes companies that derive more than 25% revenue from nuclear weapons.	Invests in at least 4 nuclear weapons companies.	Update policy to exclude all nuclear weapons companies from all portfolios, with a 0% revenue threshold.

Superannuation Fund exclusion policies + degree of application

This exhibit is useful for highlighting the change in policy required by a Fund to become nuclear weapon free. There are two main issues at play here: (A) Nuclear weapons are not included in the definition of controversial weapons, and (B) The policy to exclude nuclear weapons is limited to the ethical option.

Where does the policy apply?

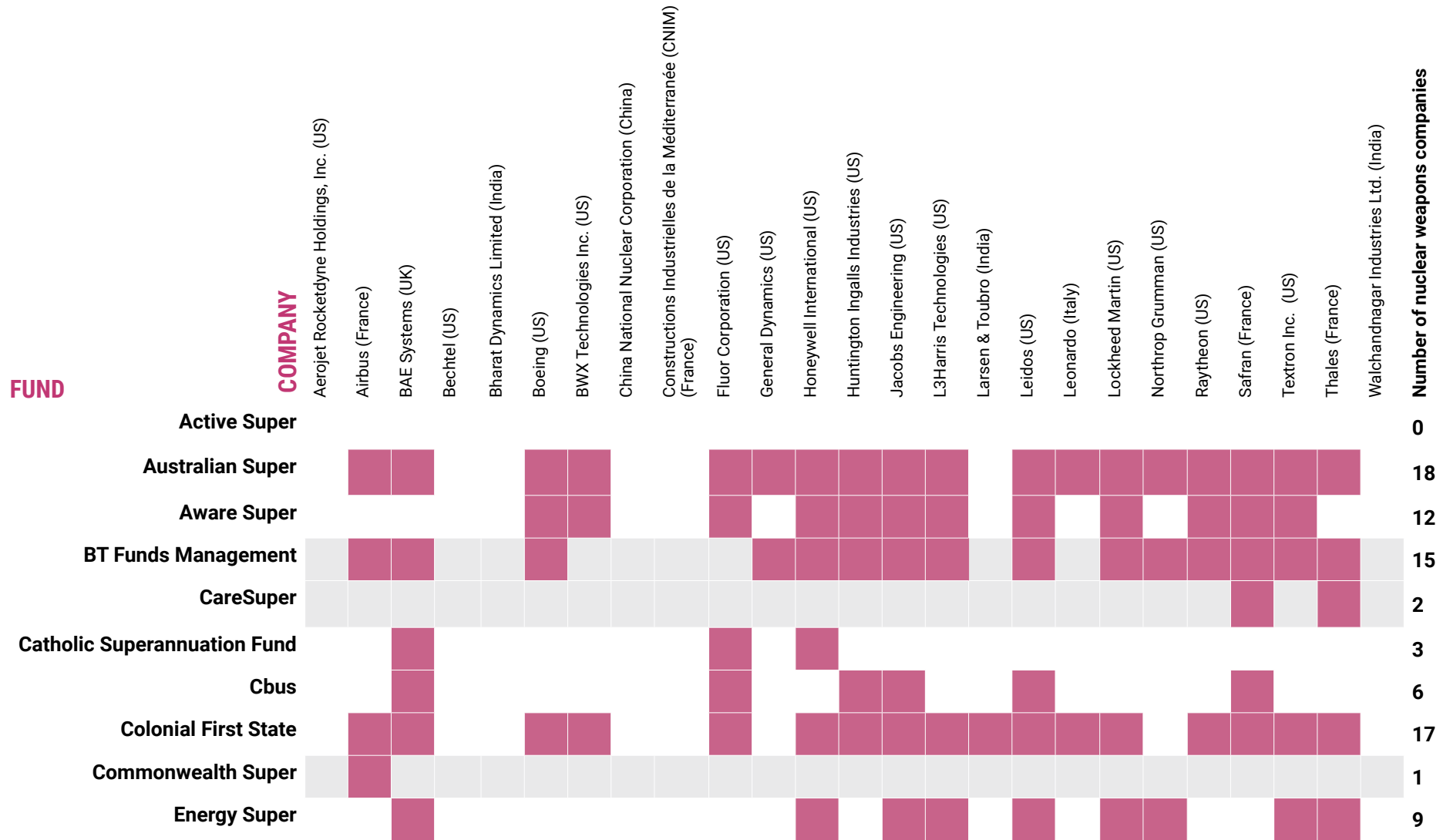
Whole of portfolio*	<ul style="list-style-type: none"> Active Super Australian Ethical Christian Super Crescent Wealth Future Super Verve Super 	<ul style="list-style-type: none"> HESTA Vision Super 	<ul style="list-style-type: none"> Aware Super BT Funds Management Colonial First State Commonwealth Super Corporation Hostplus** Mercer REST Super Sunsuper TelstraSuper 	<ul style="list-style-type: none"> AustralianSuper Care Super Catholic Super Energy Super LGIASuper UniSuper 	<ul style="list-style-type: none"> ANZ Smart Choice Super IOOF MLC Super
All except DIY / self invest option			<ul style="list-style-type: none"> QSuper Cbus 		
Ethical option	<ul style="list-style-type: none"> Energy Super (ethical option) HESTA (ethical option) LGIASuper (ethical options) UniSuper (ethical option) CareSuper (Sustainable Balanced option) 	<ul style="list-style-type: none"> Sunsuper (ethical option) 	<ul style="list-style-type: none"> AustralianSuper (Socially Aware option) NGS (but with a 5% threshold) 		
	Excludes controversial weapons and nuclear weapons	Excludes controversial weapons and nuclear weapons subject to threshold	Excludes controversial weapons but not nuclear weapons	Does not exclude controversial or nuclear weapons	No exclusions

What does the policy exclude?

*Excluding DIY and ethical option. Including MySuper option.
** Hostplus has committed to exclude nuclear weapons from all portfolios from 2022

Summary of Fund Holdings

The lack of disclosure has prevented a determination of the total dollar value of holdings in nuclear weapons producers. This will not be the case from 2022.



FUND

