



# QUIT NUKES

THE CASE FOR AUSTRALIAN  
SUPERANNUATION FUNDS TO BE  
NUCLEAR WEAPONS FREE

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*

## **ABOUT THE AUSTRALIA INSTITUTE**

The Australia Institute is an independent public policy think tank based in Canberra. It is funded by donations from philanthropic trusts and individuals and commissioned research. We barrack for ideas, not political parties or candidates. Since its launch in 1994, the Institute has carried out highly influential research on a broad range of economic, social and environmental issues.

Level 1, Endeavour House, 1 Franklin St, Canberra, ACT 2601 | (02) 61300530 | [mail@australiainstitute.org.au](mailto:mail@australiainstitute.org.au) | [www.australiainstitute.org.au](http://www.australiainstitute.org.au) | ISSN: 1836-9014

## **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

The **Australia Institute**  
Research that matters.



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.

PO Box 1379, Carlton, Victoria 3053  
(03) 9023 1958 | [www.quitnukes.org](http://www.quitnukes.org) | [australia@icanw.org](mailto:australia@icanw.org) / [eo@mapw.org.au](mailto:eo@mapw.org.au) | [www.icanw.org.au](http://www.icanw.org.au) / [www.mapw.org.au](http://www.mapw.org.au)  
ABN: 96 291 421 937

# TABLE OF CONTENTS

<b>FOREWORD</b>	<b>4</b>	IOOF HOLDINGS LTD	67
<b>EXECUTIVE SUMMARY</b>	<b>7</b>	LGIASUPER + ENERGY SUPER	71
<b>SCOPE + METHODOLOGY</b>	<b>16</b>	MERCER SUPERANNUATION	74
<b>COMPARING AUSTRALIAN FUNDS</b>	<b>25</b>	NGS SUPER	76
<b>THE CASE FOR DIVESTMENT</b>	<b>30</b>	QSUPER + SUNSUPER	78
<b>ANALYSIS OF FUNDS</b>	<b>40</b>	REST	81
ACTIVE SUPER	41	TELSTRASUPER	83
AUSTRALIANSUPER	43	UNISUPER	85
AWARE SUPER	47	VISION SUPER	87
BT FUNDS MANAGEMENT	50		
CARESUPER	52		
CATHOLIC SUPER	54		
CBUS SUPER	56		
COLONIAL FIRST STATE			
FIRSTCHOICE EMPLOYER SUPER	58		
COMMONWEALTH			
SUPERANNUATION CORPORATION	61		
HESTA	63		
HOSTPLUS	65		

## ABBREVIATIONS

ESG: Environmental, Social and Governance
ETF: exchange traded fund
Funds: Australian superannuation funds
PDS: Product Disclosure Statement
RIAA: Responsible Investment Association of Australasia
SDG: Sustainable Development Goal
TPNW: Treaty on the Prohibition of Nuclear Weapons

Note: The terms 'nuclear weapons producers' and 'nuclear weapons companies' are used interchangeably.



# FOREWORD

---

*Nuclear weapons have always  
been immoral, now they are  
illegal.*

Setsuko Thurlow  
Hiroshima survivor

Image: ICAN receives the 2017  
Nobel Peace Prize  
Image credit: Jo Straube

# FOREWORD

Associate Professor Tilman Ruff AO,  
Co-founder of the International Campaign to  
Abolish Nuclear Weapons

Hon. Melissa Parke, ICAN Ambassador  
and former federal parliamentary member  
for Fremantle, Western Australia

**Nuclear weapons are the most destructive weapons ever invented. They are by far the worst weapons of mass destruction, and pose the most acute existential threat to humankind, indeed to life on Earth.**

Even a limited nuclear war in one part of the world, involving less than 2% of the global nuclear arsenal, targeted on cities, would loft millions of tons of sooty black smoke from burning cities high into the atmosphere. The smoke would blanket the globe and persist for over a decade, plummeting temperatures on the Earth's surface to ice age levels, decimating agriculture worldwide and causing global nuclear famine putting billions of people in jeopardy from starvation.

Leading climate scientists have aptly described nuclear weapons not as weapons in any ordinary sense, but as global suicide

bombs. They simply cannot and must not be used, and must be dismantled before our luck runs out.

The World Health Organization in 1983 identified nuclear weapons as 'the greatest immediate threat to the health and welfare of mankind', and concluded that 'health services in the world could not alleviate the situation in any significant way. Therefore, the only approach to the treatment of health effects of nuclear warfare is primary prevention, that is, the prevention of nuclear war.'

Where there is no cure, prevention is the only option. The world's leading health and humanitarian organisations, including the Red Cross Red Crescent movement, have called for ending nuclear weapons as an urgent health and humanitarian imperative.

On 22 January 2021, the historic Treaty on the Prohibition of Nuclear Weapons (TPNW) entered into force. The treaty provides the first comprehensive and categorical prohibition of nuclear weapons, and also provides the first internationally agreed framework for a process by which all nations, with and without nuclear weapons, can fulfil their legal

obligation to eliminate nuclear weapons.

Further, the TPNW commits State Parties to provide assistance for the victims of nuclear weapons use and testing, and to undertake feasible remediation of environments contaminated by nuclear weapons use and testing. The treaty codifies the norm of prohibition of nuclear weapons and is thus a crucial basis for their eradication. As of 25 October 2021, the treaty has achieved 86 signatures and 56 ratifications.

States joining the treaty must not 'assist, encourage or induce, in any way, anyone to engage in any prohibited activity'.

As noted by the *Nuclear Weapons Ban Monitor 2020*, 'This prohibition on assistance renders unlawful direct funding of any of the prohibited activities ...' and 'The prohibition on financing encompasses not only state funding, including sovereign funds, but also private banks and individuals'. The Monitor notes that a similar prohibition on assistance also appears in the Cluster Munition Convention (CCM) where it is 'widely considered to prohibit financing'. Indeed at least 36 countries have taken the position that 'investment

in cluster munitions production is a form of assistance that is prohibited by the convention', and 11 states parties have included prohibitions on investment in cluster munitions in their legislation implementing the CCM. Under international law, states would be responsible where a company headquartered or incorporated on their territory violated the provisions of a disarmament treaty or customary law on disarmament.

Several states – including Belgium, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Spain, Switzerland, France and New Zealand – have already implemented domestic legislation that prohibits direct and/or indirect financing of nuclear weapons. Investing in companies which produce nuclear weapons, now illegal under international law, raises very significant ethical questions.

These activities also raise legal, compliance and reputational risks which will only grow, not only for companies profiting from building the world's worst weapons, but also for investors with ties to them.

***Nuclear weapons are not yesterday's problem. Indeed, the risk of nuclear war is growing.***

Nuclear weapons are not yesterday's problem. Indeed, the risk of nuclear war is growing. 'The international security situation is now more dangerous than it has ever been, even at the height of the Cold War', stated the Science and Security Board of the *Bulletin of the Atomic Scientists* in setting the Doomsday Clock in 2020 at 100 seconds to midnight, further forward than it has ever been before. In 2021, the clock remained at 100 seconds to midnight.

The current global nuclear arsenal stands at 13,100. The number of operationally deployed nuclear weapons worldwide and the number of weapons on high alert are again rising. No disarmament negotiations are underway and several hard-won nuclear control treaties have been abandoned.

Nuclear weapons modernisation continues apace in nuclear armed states, with conservatively estimated expenditures of US\$72.6 billion in 2020, an increase of \$1.4 billion despite the pandemic.

Destabilising development and deployment of faster, stealthier, more accurate and low yield nuclear weapons accompany explicit nuclear threats as new arms races between the US and its allies, Russia and China escalate, repeating many of the mistakes and exacerbating many of the dangers of the first Cold War. Cyber warfare, now offen-

sively prosecuted by multiple states, and accessible to non-state actors, puts nuclear command and control systems at risk.

***There is nothing prosperous, secure, sustainable, responsible or ethical about nuclear weapons.***

There is nothing prosperous, secure, sustainable, responsible or ethical about weapons poised to unleash, by accident or design, massive indiscriminate nuclear violence. They have no legitimate place in our world. We all have a paramount stake in ensuring they are never used. The only durable way to prevent their use is to eliminate them.

Stopping the flow of funds enabling and supporting nuclear weapons makes every kind of sense. The long-term financial security of superannuation fund members - like everyone else - demands eliminating, not fuelling, the real and present existential danger posed by the world's worst weapons.



# EXECUTIVE SUMMARY



---

***Strong returns from ethical funds show that divesting from nuclear weapons companies is not just the right thing to do - it is also the financially sound thing to do.***

Ben Oquist  
Executive Director  
The Australia Institute

Image: Hiroshima Peace Memorial  
Image credit: Trevor Dobson/Flickr

# 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).<sup>1</sup>**

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.

---

<sup>1</sup> 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.<sup>2</sup>

---

<sup>2</sup> 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.<sup>3</sup>

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

---

<sup>3</sup> 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.

# 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.

# 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.

# 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.<sup>4</sup>

<sup>4</sup> 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.

## EXHIBIT 1

# 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
<b>Active Super</b>	Excludes controversial weapons, including nuclear weapons.	Excludes nuclear weapons.	Ensure funds not under active measurement are in line with policy to exclude nuclear weapons.
<b>AustralianSuper</b>	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.
<b>Aware Super</b>	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.
<b>BT Funds Management</b>	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.
<b>CareSuper</b>	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.



<b>Fund</b>	<b>What fund materials say</b>	<b>What the fund does</b>	<b>Next steps</b>
<b>Catholic Super</b>	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.
<b>Cbus</b>	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.
<b>Colonial First State</b>	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.
<b>Commonwealth Superannuation Corporation</b>	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.
<b>Energy Super</b>	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.
<b>HESTA</b>	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.

<b>Fund</b>	<b>What fund materials say</b>	<b>What the fund does</b>	<b>Next steps</b>
<b>Hostplus</b>	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.
<b>IOOF, including ANZ Smart Choice Super and MLC Super</b>	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.
<b>LGIAsuper</b>	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.
<b>Mercer</b>	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.
<b>NGS</b>	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.

<b>Fund</b>	<b>What fund materials say</b>	<b>What the fund does</b>	<b>Next steps</b>
<b>QSuper + Sunsuper</b>	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.
<b>Rest Super</b>	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.
<b>Telstra Super</b>	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.
<b>UniSuper</b>	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.
<b>Vision Super</b>	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.

# SCOPE + METHODOLOGY



---

*The impacts of the Maralinga and Emu Fields testing are still being felt today, over 60 years later...*

*...Just remember the future forever belongs to the next generation.*

Aunty Sue Coleman-Haseldine, Kokatha elder and nuclear test survivor from Ceduna, SA.

*Image: Aunty Sue Coleman-Haseldine addresses the United Nations, March 2017  
Image credit: ICAN*



# SCOPE + METHODOLOGY

## SCOPE: WHO PROFITS FROM NUCLEAR WEAPONS?

Producing nuclear weapons is big business. They are manufactured, developed and maintained by around two-dozen companies, which are contracted by governments, or are part or wholly state-owned. Most nuclear weapons producers are involved in the production of conventional weapons as well.

A large number of Australians are inadvertently party to these investments. The way Australian superannuation funds handle their investments is often opaque. This report identifies opportunities for Funds to better represent the public consensus that investing in nuclear weapons is unacceptable.

### The superannuation funds

This report examines 24 financial institutions that offer superannuation products. The list includes most of the largest superannuation funds in Australia, and others of

particular interest. Some are merging or have significant interactions such that it makes sense to examine them together.

### The nuclear weapons companies

Don't Bank on the Bomb, a project of ICAN and PAX (Netherlands), provides a comprehensive analysis of companies involved in nuclear weapons.<sup>1</sup> It uses three criteria to identify nuclear weapons companies:

1. The company is directly involved in the development, testing, production, maintenance or trade of nuclear weapons related technology, parts, products or services.
2. The company's involvement is related to warheads, or to delivery systems such as missiles, that are specifically developed for nuclear tasks. This includes technology that is designed for 'dual use' (military and

---

<sup>1</sup> Snyder (2019) Producing Mass Destruction: Private companies and the nuclear weapon industry, [https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019\\_Producers-Report-FINAL.pdf](https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf), accessed October 2021.

*This report identifies opportunities for funds to better represent the public consensus that investing in nuclear weapons is unacceptable.*

civilian) but excludes technology that is not designed for but can be used in nuclear warfare. It does not include delivery platforms such as bombers and submarines.

3. Information on investments in the company is publicly available.<sup>2</sup>

Don't Bank on the Bomb uses these criteria to identify nuclear weapons companies<sup>3</sup> with publicly available investment information, stressing that this list is not exhaustive but consists of the companies, mostly publicly-listed, most heavily involved in the nuclear weapon industrial complex.<sup>4</sup> The Don't Bank on the Bomb list of producers is used in this report.

See Exhibit 2 for the list of producers.

## METHODOLOGY

This report examines major superannuation funds (Funds) with a MySuper option, the

<sup>2</sup> Snyder (2019) Producing Mass Destruction: Private companies and the nuclear weapon industry, accessed October 2021.

<sup>3</sup> At the time of research and writing, the list is accurate, however, this list can change from year to year.

<sup>4</sup> Snyder (2019) Producing Mass Destruction: Private companies and the nuclear weapon industry, accessed October 2021.

default product that Funds must offer in order to be eligible to receive default superannuation contributions for new employees.

Research was conducted in September and October 2021.

Three aspects of each fund are assessed:

1. What the fund says on its website
2. Whether its documented policy on nuclear weapons companies is adequate
3. Whether it invests in companies directly involved in the nuclear weapons industry

Each fund is assessed as a whole, as well as on any self-directed or responsible investment options it provides. For example, a fund may invest in nuclear weapons companies in its default options, but exclude them from its responsible investment option.

### Identifying policies

Identifying a fund's approach to nuclear weapons is a two-step process. The first looks at how the fund describes its investment approach on its website and in other promotional materials, and the second looks at more detailed documents, like product disclosure statements (PDS) and

environmental, social and governance (ESG) policies.

The reason for this two-stage process is because many consumers will only look at the information provided by a fund on its main webpages. In some cases, consumers would need to search long documents to discover that a 'controversial weapons exclusion' does not cover nuclear weapons.

To assess the website and other promotional materials, such as annual reports, the researcher browses the website and finds key pages on investment strategy, ESG and individual investment options. If controversial weapons are mentioned, this is noted, as well as details on investment strategy that may be pertinent.

To assess technical documents, the researcher reads the PDS and any ESG policies (sometimes described as sustainability or responsible investing policies). In some cases, the PDS is split by option and/or by topic. In these cases, as many parts of the PDS as seemed relevant are read.

### Policy analysis

Policies are assessed on the basis of whether they negatively screen investments to exclude companies that are directly involved in the development, testing, produc-

tion, maintenance or trade of nuclear weapons related technology, parts, products or services.

Policies are compared to a four-point scale:

1. The policies do not exclude any controversial weapons producers
2. The policies exclude controversial weapons producers, but not nuclear weapons (or it is unclear if they exclude nuclear weapons)
3. The policies exclude nuclear weapons producers, but only above a certain threshold (for example, companies where more than a certain percentage of revenue is from nuclear weapons)
4. The policies exclude nuclear weapons producers, with no revenue threshold

Any policy that does not exclude all companies that derive revenue from nuclear weapons from its entire investment universe is assessed as inadequate.

Some funds offer 'socially aware' or 'ethical' superannuation products with higher ESG standards which may or may not mandate the partial or total exclusion of nuclear weapons companies. Similarly, some funds have ESG policies that exclude companies

that derive more than a certain percentage of their revenue from nuclear weapons.

*Any policy that does not exclude all companies that derive revenue from nuclear weapons from its entire investment universe is assessed as inadequate.*

Both of these options are improvements on having no policy related to nuclear weapons. However, they are still considered inadequate unless nuclear weapons companies are entirely excluded from a superannuation fund's entire investment universe.

#### **Identifying holdings**

The third aspect of the fund analysis is whether it held shares in nuclear weapons companies in the 2020/21 financial year. A fund without a nuclear weapons exclusion policy might still not invest in any nuclear weapons companies. Conversely, and more worryingly, a fund with a nuclear weapons exclusion policy might still invest in nuclear weapons companies.

Superannuation funds have multiple 'asset classes' of investments. These typically

include Australian shares, global or international shares, property, infrastructure, unlisted assets (not on public stock markets), fixed interest (Australian and international), credit and cash or currency holdings.

Superannuation funds generally invest in nuclear weapons companies through their holdings of shares, or equity, in the company. Equities are able to be traded on public markets such as the stock exchange. There are no nuclear weapons companies listed on the Australian stock exchange, so all shares will be held in the Funds' international shares portfolio.

Funds also invest through purchasing fixed interest securities (or corporate bonds), or through direct lending (credit).

Lack of transparency in investments is a major barrier to comprehensive research of superannuation funds' holdings.

*Lack of transparency in investments is a major barrier to comprehensive research of superannuation funds' holdings.*

While several funds do publish all their investments (or at least all of their shareholdings), most funds do not. Some funds that do not disclose all investments may still disclose a snapshot of their largest investments.

To establish whether a fund invests in nuclear weapons, international shareholdings are examined (where available). It is not possible to determine the extent of a fund's holdings of corporate bonds/fixed interest securities issued by nuclear weapons companies, or direct lending to such companies, unless this is explicitly reported by the fund. At least three funds (AustralianSuper, Colonial First State and Energy Super) disclose their fixed interest securities in nuclear weapons companies.

Some funds publish their exclusions, that is, the companies that they have specifically ruled out investing in. These lists of 'restricted securities' may be used to confirm that the fund has no holdings in a nuclear weapons company.

Funds also typically publish shareholder voting records, which say how the fund voted its shares on various resolutions. If

a company appears on this record, it confirms that the fund had shares in that company at that point in time.

However, the absence of a company from the record does not confirm that the fund had no holdings in that company.

The fund may not have voted on any resolutions during that period, or there may have been no motions to vote on. For example, BAE Systems appears on Aware Super's top holdings but not in its voting records for the financial year 2020/2021.

Each fund was provided with a draft copy of the research that applied to them, and for those who replied the research was updated to reflect any change or new commitment.



## EXHIBIT 2 Who profits from Nuclear Weapons?

Company	Country	Involvement in nuclear arsenals	Weapon Systems
<b>Aerojet Rocketdyne</b>	US	Aerojet Rocketdyne's aerospace and military segment is involved in design, development and production of both land and sea-based nuclear ballistic missile systems for the US and UK arsenals.	Minuteman ICBMs, Trident II, Ground-based Strategic Deterrent
<b>Airbus</b>	Netherlands	Airbus, through its German-headquartered division Airbus Defence and Space, is involved in ongoing maintenance and development of several nuclear armed missiles for the French nuclear arsenal through ArianeGroup, a joint venture with the French company Safran.	M51 plus next-gen M51.2, .3, .4, ASMPA, ASN4G
<b>BAE Systems</b>	UK	BAE Systems is involved in three nuclear weapon arsenals – those of France, the United Kingdom and the United States.	Trident II, Minuteman ICBMs, ASMPA, ASN4G, Ground Based Strategic Deterrent
<b>Bechtel</b>	US	Bechtel's business unit, US Government Services, assists the US Department of Energy (DoE) in the areas of nuclear weapons development, scientific research and environmental clean-up.	Warhead development through Pantex Plant
<b>Bharat Dynamics</b>	India	Bharat Dynamics Limited produces nuclear capable missiles for the Indian arsenal.	Prithvi II, Agni-V
<b>Boeing</b>	US	Boeing is involved in the production of Minuteman III and Trident II (D5) missiles as well as B61-12 gravity bombs. Boeing also has contracts related to developing the Ground Based Strategic Deterrent and the Long-Range Standoff missiles for the US.	Minuteman ICBMs, Trident II, Long range Standoff

<b>Company</b>	<b>Country</b>	<b>Involvement in nuclear arsenals</b>	<b>Weapon Systems</b>
<b>BWX Technologies</b>	US	BWXT is involved in uranium processing and other site-specific services for the US nuclear arsenal.	Trident II
<b>China National Nuclear Corporation</b>	China (SOE)	China National Nuclear Corporation (CNNC) provides key components for the Chinese nuclear arsenal. It is a state-owned company, but has recently conducted a bond-issuance, making it now open to external investment.	
<b>Constructions Industrielles de la Méditerranée (CNIM)</b>	France	CNIM states that it is 'a leading player in France's nuclear deterrent programs since 1961'. CNIM is the sole supplier of missile launch systems for nuclear submarines.	M51 launching systems (subs)
<b>Fluor Corporation</b>	US	Fluor, based in the US, provides complex engineering, procurement, construction, and maintenance projects for commercial and government clients. Fluor is involved in a number of US nuclear weapon facilities including as a subcontractor at the Los Alamos National Laboratory.	
<b>General Dynamics</b>	US	General Dynamics is involved in the production and maintenance of the Trident II (D5) for the US and UK. General Dynamics is also responsible for integrating the Trident SLBM in the new US Columbia-class program and the United Kingdom Dreadnought-class submarines.	Trident II
<b>Honeywell International</b>	US	Honeywell International, based in the US, operates as a diversified technology and manufacturing company. Honeywell is involved in US nuclear weapon facilities as well as producing key components for the US Minuteman III ICBM and the Trident II (D5) system, currently in use by the US and UK.	Minuteman ICBMs, Trident II, various war-head programs

<b>Company</b>	<b>Country</b>	<b>Involvement in nuclear arsenals</b>	<b>Weapon Systems</b>
<b>Huntington Ingalls Industries</b>	US	Huntington Ingalls Industries designs, constructs and maintains nuclear and non-nuclear ships for the US Navy and Coast Guard and offers after-market services for military ships around the world.	
<b>Jacobs Engineering</b>	US	Jacobs Engineering Group, based in the US, provides professional, technical and construction services.	Trident II
<b>L3Harris Technologies</b>	US	L3Harris Technologies is involved in the design and development of the new intercontinental ballistic missile system for the US, the Ground Based Strategic Deterrent as well as producing key components for the Trident II (D5) system.	Ground Based Strategic Deterrent, Trident II (D5)
<b>Larsen &amp; Toubro</b>	India	L&T advertises their involvement in the development of launching systems and key components for the Indian nuclear arsenal.	Prithvi II, Dhanush
<b>Leidos</b>	US	Leidos is involved in US nuclear weapon production facilities.	
<b>Leonardo</b>	Italy	Leonardo, based in Italy, develops products and services in the fields of aerospace, military and security. Leonardo is involved in the production of nuclear missiles for the French arsenal.	ASMPA
<b>Lockheed Martin</b>	US	Lockheed Martin is the world's largest weapons producer. It produces and maintains nuclear weapons for both the US and the UK.	Trident II, Minuteman III, Long Range Standoff
<b>Northrop Grumman</b>	US	Northrop Grumman is involved in the US Minuteman III, the US & UK Trident II (D5) as well as with several nuclear weapons production facilities.	Minuteman III, Trident II
<b>Raytheon</b>	US	Raytheon is involved in missile production and development for the US nuclear arsenal.	Minuteman III, Ground based strategic deterrent, long ranged standoff

<b>Company</b>	<b>Country</b>	<b>Involvement in nuclear arsenals</b>	<b>Weapon Systems</b>
<b>Safran</b>	France	Safran, based in France, is a high-tech group with three key business areas: the aircraft propulsion and equipment, space and defence markets. The French government holds a 13.2% stake in the company. Safran is involved in the missile production for the French nuclear arsenal.	M51, ASMPA
<b>Textron</b>	US	Textron is a US-based multi-industry company engaged in aircraft, military, industrial and finance businesses. Textron produces US ICBM re-entry vehicles.	Minuteman III
<b>Thales</b>	France	Thales is a French-based company engaged in aerospace, defence, ground transportation, security and space. The French state (25.7%) and aircraft manufacturer Dassault Aviation (24.7%) are the main shareholders of Thales.	ASMPA
<b>Walchandnagar Industries</b>	India	Walchandnagar Industries produces launching systems for the Indian Agni series of nuclear armed missiles.	Agni series

Sources: Snyder (2019) Producing Mass Destruction: Private companies and the nuclear weapon industry, [https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019\\_Producers-Report-FINAL.pdf](https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf); Snyder (2020) Producing mass destruction: Private companies and the nuclear weapons industry (webpage), <https://www.dontbankonthebomb.com/nwproducers/>

# COMPARING AUSTRALIAN FUNDS

---

*Companies and investors will continue to face increased reputational risks as a result of the stigmatising effects of the Treaty on the Prohibition of Nuclear Weapons.*

Corrs Chambers Westgarth

*Image: Campaigners celebrate the entry into force of the TPNW, January 2021  
Image credit: Hannah Jones*



# COMPARING AUSTRALIAN FUNDS

The policies adopted by Australian superannuation funds in relation to nuclear weapons companies range from having no explicit exclusion, to mandating the exclusion of all companies that produce nuclear weapons, with a 0% revenue threshold. (See Exhibit 3.)

It is also worth noting that there is a significant divergence between what a number of funds say about their exclusion policy and the structure of their portfolios.

## EXTENT OF HOLDINGS

Identifying the extent of holdings of nuclear weapons producers is challenging, as most Funds do not disclose particulars of their holdings.

This will change when the proposed regulations under the *Corporations Act 2001* (Cth) regarding portfolio disclosures come into effect.

Of the Funds in this study, only Australian-Super, Colonial First State Super and Energy Super (prior to merging with LGIASuper on 1 July 2021) provided details of their hold-

ings. The proxy voting records of other funds have been used to establish their equity investments in nuclear weapons producers, however proxy voting does not provide the value of their equity holdings.

## SUMMARY OF HOLDINGS

At most, Australian superannuation funds invest in 18 nuclear weapons producers. This is a very small number, given the thousands of holdings of each fund and the universe of investible companies. The scope of this summary is limited due to a lack of transparency.<sup>1</sup>

*There is a significant divergence between what a number of funds say about their exclusion policy and the actual structure of their portfolios.*

---

<sup>1</sup> There is a lack of information regarding corporate bonds/fixed interest or credit. Most of the data refers to equity holdings.

### EXHIBIT 3 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?

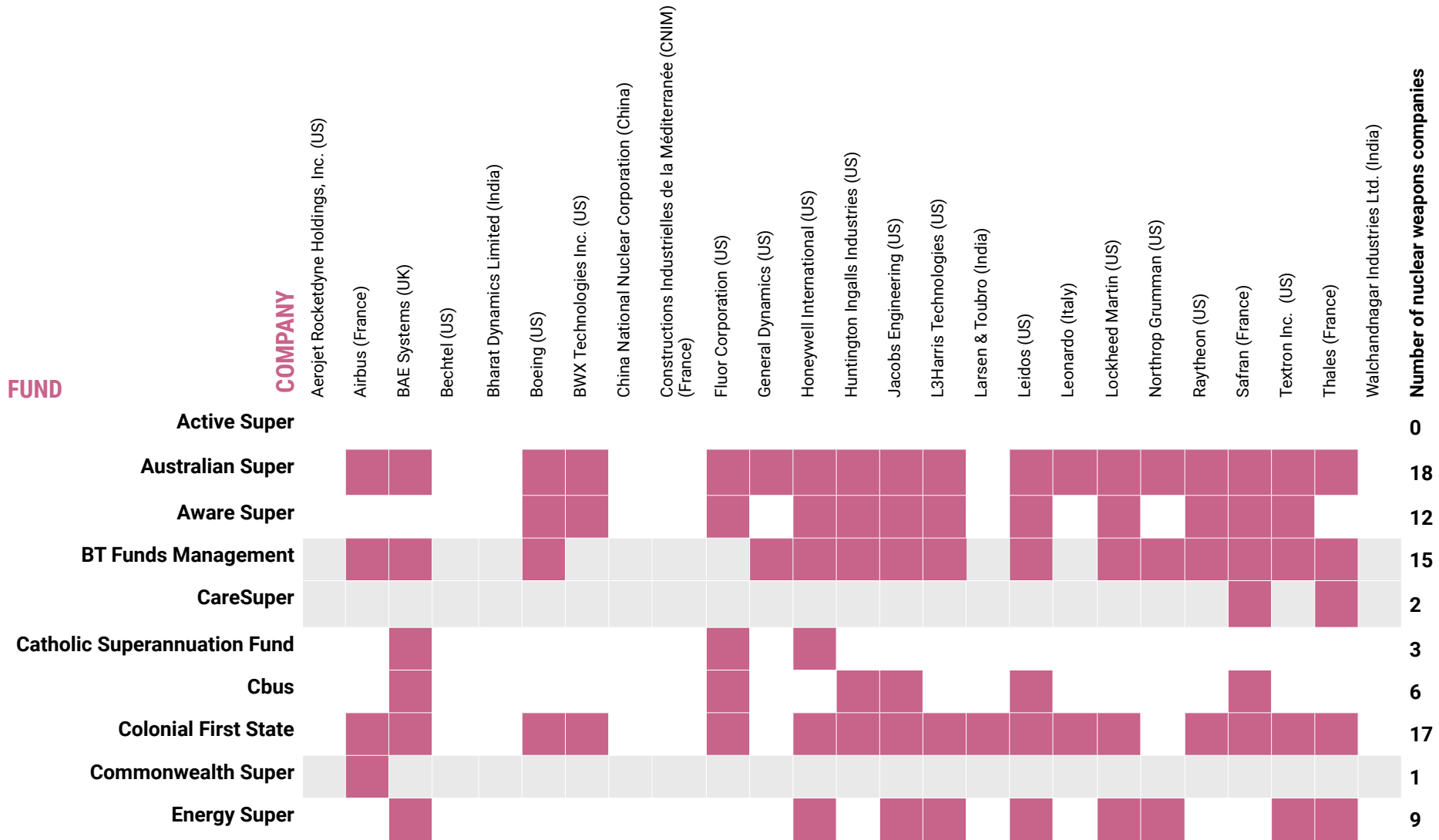
Whole of portfolio*	<ul style="list-style-type: none"> <li>Active Super</li> <li>Australian Ethical</li> <li>Christian Super</li> <li>Crescent Wealth</li> <li>Future Super</li> <li>Verve Super</li> </ul>	<ul style="list-style-type: none"> <li>HESTA</li> <li>Vision Super</li> </ul>	<ul style="list-style-type: none"> <li>Aware Super</li> <li>BT Funds Management</li> <li>Colonial First State</li> <li>Commonwealth Super Corporation</li> <li>Hostplus**</li> <li>Mercer</li> <li>REST Super</li> <li>Sunsuper</li> <li>TelstraSuper</li> </ul>	<ul style="list-style-type: none"> <li>AustralianSuper</li> <li>Care Super</li> <li>Catholic Super</li> <li>Energy Super</li> <li>LGIASuper</li> <li>UniSuper</li> </ul>	<ul style="list-style-type: none"> <li>ANZ Smart Choice Super</li> <li>IOOF</li> <li>MLC Super</li> </ul>
All except DIY / self invest option			<ul style="list-style-type: none"> <li>QSuper</li> <li>Cbus</li> </ul>		
Ethical option	<ul style="list-style-type: none"> <li>Energy Super (ethical option)</li> <li>HESTA (ethical option)</li> <li>LGIASuper (ethical options)</li> <li>UniSuper (ethical option)</li> <li>CareSuper (Sustainable Balanced option)</li> </ul>	<ul style="list-style-type: none"> <li>Sunsuper (ethical option)</li> </ul>	<ul style="list-style-type: none"> <li>AustralianSuper (Socially Aware option)</li> <li>NGS (but with a 5% threshold)</li> </ul>		
	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

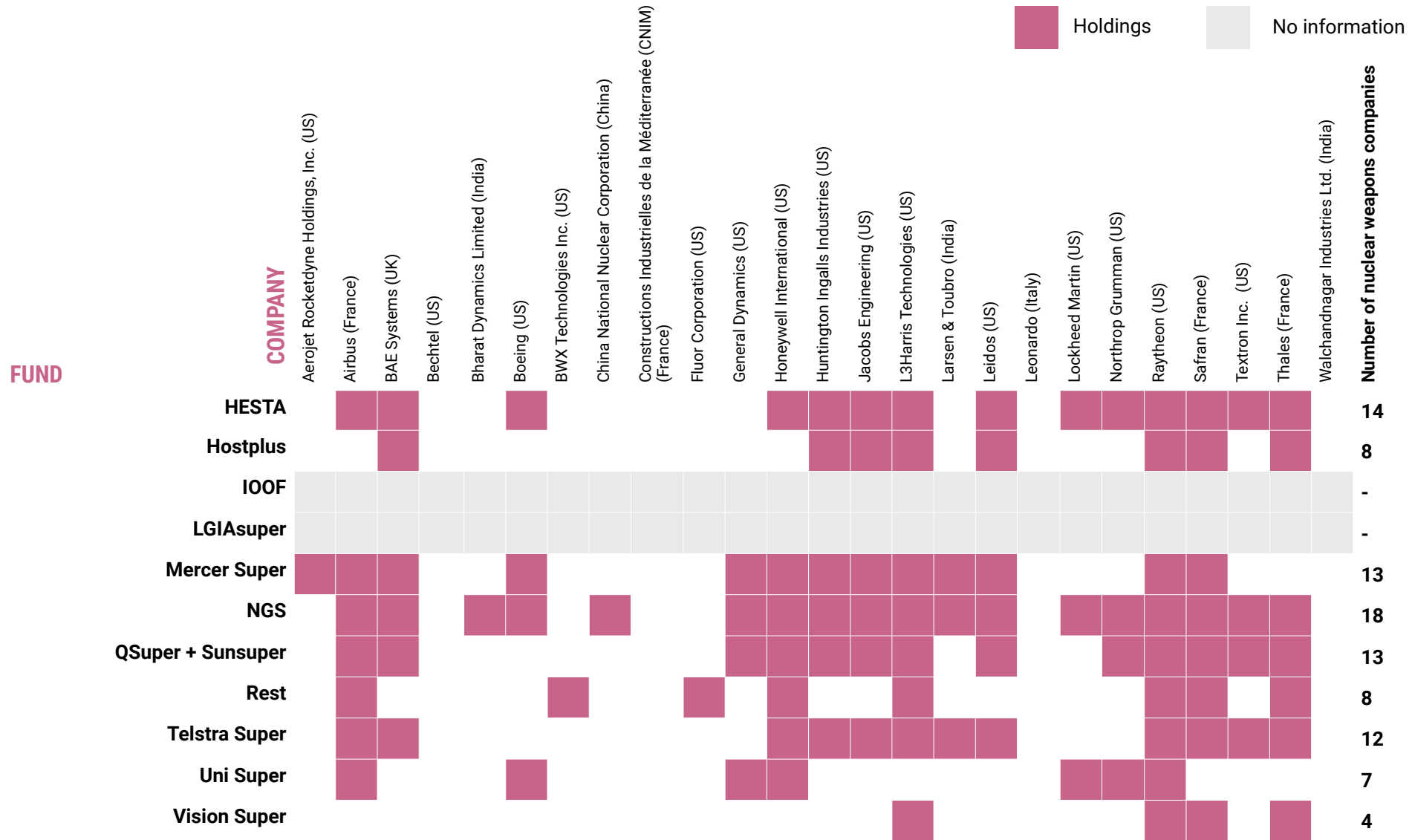
What does the policy exclude?

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

## EXHIBIT 4 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.





# THE CASE FOR DIVESTMENT

The background of the entire page is a photograph of a conference room. In the foreground, a person is seen from behind, sitting at a desk. On the desk, there is a nameplate that reads 'CIVIL SOCIETY'. The room is filled with other people, some of whom are looking towards the front of the room. The overall lighting is somewhat dim, and the image has a slightly grainy texture.

---

*The elimination of nuclear weapons remains the highest disarmament priority of the United Nations.*

Antonio Guterres  
UN Secretary-General

*Image: TPNW negotiations at the  
United Nations, 2017  
Image credit: Frode Ersfjord*



# THE CASE FOR DIVESTMENT

In this section the reasons for Australian Superannuation funds (Funds) to exclude nuclear weapons producers from all their investment portfolios is outlined.

The primary reasons for divestment can be summarised as follows:

- Violation of humanitarian principles
- Nuclear weapons are illegal under international law, following the entry into force of the UN Treaty on the Prohibition of Nuclear Weapons (TPNW) in January 2021
- Responsible investment principles
- Domestic legislation

Divestment is compatible with fiduciary duty, given there is no material impact on performance or diversification, and that sovereign risk is an issue. The increasing rate of divestment from nuclear weapons companies internationally is examined, listing several institutions and their reasoning.

## MATERIALITY, DIVERSIFICATION AND SOVEREIGN RISK

### Materiality of Holdings

As noted in the Comparing Australian Funds a section, Funds invest in no more than 18 nuclear weapons producers. This is a very small number, given the thousands of holdings of each Fund and the universe of investible companies.

The portfolios of Funds that did disclose holdings were analysed to determine the materiality of their investments in nuclear weapons producers.

AustralianSuper has nuclear weapons holdings that represent an estimated 0.64% of the overall portfolio. Colonial First State has nuclear weapons holdings that represent an estimated 0.19% of the overall portfolio. Energy Super has nuclear weapons holdings that represent an estimated 0.21% of the overall portfolio.<sup>1</sup>

<sup>1</sup> See Analysis of Funds section for detail

## KEY REASONS FOR DIVESTMENT

Violation of humanitarian principles.

Nuclear weapons are illegal under international law, following the entry into force of the UN Treaty on the Prohibition of Nuclear Weapons (TPNW) in January 2021.

Responsible investment principles.

Reputational risk.

Domestic legislation.

These percentages are clearly not material in relation to the whole portfolio.

## IMPACT ON DIVERSIFICATION

One issue for Funds in deciding to divest from a stock is the potential loss of diversification. The benefits of diversification arise from the negative correlation between returns that may exist between different assets. Within an asset class, the correlation between the returns from the assets tends to be positive rather than negative. As such most of the diversification benefit, likely around 90%, is gained by investing across a number of asset classes and only about 10% gained by diversifying holdings within the same asset class.

Importantly however, most of the diversification benefit in a portfolio is gained within the first 30-50 or so holdings of a portfolio, and the benefit is almost negligible as the number of holdings increases.

The securities issued by nuclear weapons producers are held primarily in the international shares asset class, and to a lesser extent in the fixed interest/corporate bonds asset class. Funds have hundreds or even thousands of holdings in these asset classes, so excluding 18 or fewer securities in either of these asset classes would not be

expected to have any material impact on the diversification within any of the portfolios offered by the Funds.

## IMPACT ON PERFORMANCE

The impact on returns from nuclear weapons divestment can be shown to be immaterial when major indices that exclude nuclear weapons are compared with their parent indices which do not have this exclusion.

The MSCI ex Weapons and Renewables Select Index excludes controversial weapons, nuclear weapons, thermal coal, oil sands and Arctic oil.

The FTSE Developed ex Australia Choice Index excludes Vice Products (adult entertainment, alcohol, gambling, tobacco), Non-Renewable Energy (nuclear power, fossil fuels), and Weapons (civilian firearms, controversial military weapons including nuclear weapons and conventional military weapons).<sup>2</sup>

MSCI and FTSE indices measure stock market performance in a particular area. An index consists of a hypothetical portfolio

<sup>2</sup> FTSE Russell (n.d.) FTSE ex Controversies ex Controversial Weapons indexes, [https://content.ftserussell.com/sites/default/files/ftse-ex\\_controversies-ex\\_cw\\_indexes\\_overview\\_v6.pdf](https://content.ftserussell.com/sites/default/files/ftse-ex_controversies-ex_cw_indexes_overview_v6.pdf), accessed November 2021.

## *The impact of exclusions on returns is negligible.*

of stock holdings. Each index tracks the performance of the stocks included in the index.

As the numbers in Exhibit 5 demonstrate, the impact of the exclusions on returns is negligible.

While these indices have broader exclusions than just nuclear weapons, a narrower exclusion list (e.g. limited to nuclear weapons only) would be expected to have even less impact than broader exclusions on portfolio performance.

For example, one fund examined in this report, LGIAsuper, uses the Robeco Global SRI option for its Socially Responsible International Shares option. Robeco states 'the exclusion of companies from Robeco's investment funds as a result of the exclusion policy are not expected to significantly alter the risk-return profile of these funds'.<sup>3</sup>

The Robeco funds include its Sustainability Funds which exclude, among other com-

<sup>3</sup> Robeco (2021) Exclusion Policy, <https://www.robeco.com/docm/docu-exclusion-policy.pdf>, accessed November 2021.

## EXHIBIT 5 Impact on performance

Annual Performance (% p.a) as at 30 September 2021

	1 month	3 months	1 year	3 years	5 years	Since inception*	Dividend Yield (%)
MSCI ex Weapons and Non Renewables Select Index (USD)**	-4.84	0.34	29.94	15.01	16.88	15.53	1.34
MSCI USA	-4.75	0.31	29.95	16.12	16.67	15.40	1.35
FTSE Developed (ex Australia) Choice Index***		4.2	27.3	15.7	17.2		
FTSE Developed (ex Australia)		3.7	28.0	13.6	15.7		

\* Results as of 30 May 2021.

\*\* MSCI (2021) USA ex Weapons and Non Renewables Select Index (USD) <https://www.msci.com/documents/10199/845f681d-ed2-ef80-90d9-917d7a30d254>, accessed November 2021.

\*\*\* FTSE Russell FTSE Developed ex Australia Choice Index <https://research.ftserussell.com/Analytics/FactSheets/temp/94511765-88ae-4cc5-b117-f474b8bbacfc.pdf> Accessed 3rd December 2021.

panies, controversial weapons manufacturers and nuclear weapons manufacturers.

Robecco had 148 billion euros in funds under management in its sustainability funds in 2020.

## SOVEREIGN RISK

Nuclear weapons producers rely on governments for their contracts. The market for their products is extremely limited, and subject to change according to government policies.

This recently occurred in the UK, with a significant impact on Serco.<sup>4</sup> *Perilous Profiteering*, a report on financial involvement with nuclear weapons producers, released in November 2021, noted:

*In 2020, the UK decided to nationalize its nuclear weapons facilities and start a new nuclear warhead project at the Atomic Weapons Establishment (AWE). That meant ending what was meant to be a 25-year non-revocable contract with the AWE-ML consortium (Serco, Jacobs Engineering and Lockheed Martin).*

<sup>4</sup> Thicknesse (2020) Serco shares crash as outsourcer loses role on nuclear weapons consortium, <https://www.cityam.com/serco-shares-crash-as-outsourcer-loses-role-on-nuclear-weapons-consortium/>, accessed October 2021.

*This is an illustration of the risks faced by any company taking contracts for nuclear weapon related work.*

*Each of these companies already knows that there are some risks from government contracting, they state as much in each annual report. However, until recently, the idea that long-term nuclear weapon related contracts might be terminated was not given much credit.*

*Now that the weapons are prohibited under international law, an additional level of risk exists.*

## **GLOBAL DIVESTMENT**

In 2021, 338 institutions had financing or investment relationships with nuclear weapons companies, down by 52 from 390 institutions the previous year.<sup>5</sup>

Exhibit 6 lists some of the financial institutions that have excluded nuclear weapons producers from their investment and financing portfolios, and the reasons behind their decision.

A more detailed list of financial institutions

<sup>5</sup> Snyder & Walstra (2021) Perilous Profiteering, [https://www.dontbankonthebomb.com/wp-content/uploads/2021/11/2021-Perilous-Profiteering\\_ExecSummary-Embargo.pdf](https://www.dontbankonthebomb.com/wp-content/uploads/2021/11/2021-Perilous-Profiteering_ExecSummary-Embargo.pdf), accessed November 2021.

that exclude nuclear weapons can be found at the Don't Bank on The Bomb website.<sup>6</sup>

## **VIOLATION OF HUMANITARIAN PRINCIPLES**

### **Entry into force of the UN Treaty on the Prohibition of Nuclear Weapons (TPNW)**

The entry into force of the TPNW in January 2021 made nuclear weapons illegal under international law, alongside chemical and biological weapons, cluster munitions and landmines.

The treaty, supported by 122 countries at the United Nations, has created a new global norm. Over time, as more countries sign and ratify the treaty, regulation and pressure will increase on States to curb their investments in nuclear weapons companies. The TPNW requires state parties:<sup>7</sup>

*Never under any circumstances to assist, encourage or induce, in any way, anyone to engage in any activity prohibited to a State Party under this Treaty;*

<sup>6</sup> PAX & ICAN (n.d.) Who divests?, <https://www.dontbankonthebomb.com/who-divests/>, accessed November 2021.

<sup>7</sup> United Nations (2017) Treaty on the Prohibition of Nuclear Weapons, Article 1(e), <https://undocs.org/A/CONF.229/2017/8>, accessed November 2021.

Financing nuclear weapons producers is a form of assistance and therefore prohibited under the TPNW.

### **International Humanitarian Law**

International humanitarian law (IHL) is a set of rules which specify limits to the waging of war, or *jus in bello*, including which weapons, methods and tactics of combat are considered legitimate or permissible in warfare.

The IHL principles of distinction, proportionality, precaution and preventing superfluous injury and unnecessary suffering, determine whether or not a weapon may legitimately be used in warfare. IHL prohibits the use of methods or means of warfare that are intended, or may be expected, to cause widespread, long-term and severe damage to civilian populations and the natural environment.

The principles of IHL were a critical driver behind the international treaties banning chemical weapons, biological weapons, landmines, cluster munitions and nuclear weapons.

## Use of nuclear weapons is incompatible with the right to life

The International Covenant on Civil and Political Rights (ICCPR) which Australia ratified in 1980 says in Article 6, paragraph 1: 'Every human being has the inherent right to life. This right shall be protected by law. No one shall be arbitrarily deprived of his life.'

On October 30, 2018, the UN Human Rights Committee adopted a new General Comment No.36 on Article 6 of the ICCPR, on the right to life, which concludes that the threat or use of nuclear weapons is incompatible with the Right to Life and may amount to a crime under international law.<sup>8</sup>

Investing in nuclear weapons is contrary to the principles of the ICCPR.

## RESPONSIBLE INVESTMENT + THE SDGs

Investing in nuclear weapons producers is incompatible with the aim of avoiding harm, which is at the heart of responsible investing.

<sup>8</sup> UN Human Rights Committee (2019) International Covenant on Civil and Political Rights – General comment No. 36, <https://www.refworld.org/docid/5e5e75e04.html>, accessed October 2021.

The Responsible Investment Association of Australasia (RIAA) recently updated its 'Avoiding Significant Harm' assessment guidance by including nuclear weapons in the definition of controversial weapons for the purposes of RIAA portfolio certification.<sup>9</sup>

*RIAA acknowledges the significance of the Treaty on the Prohibition of Nuclear Weapons in now prohibiting nuclear weapons by international convention. RIAA is committed to working with and bringing the investment industry on board with this pending change, which will see nuclear weapons counted as controversial weapons in the Certification Program guidance coming into force in January 2022.*

The UN Sustainable Development Goals (SDGs) were adopted in 2015 as a universal call to action to end poverty, protect the planet and ensure by 2030 all people enjoy peace and prosperity. The 17 SDGs include SDG 16 – Peace, Justice and Strong Institutions; SDG 3 – Good Health and Well-Being; SDG 6 – Clean Water and Sanitation; and SDG 15 – Life on Land.<sup>10</sup>

<sup>9</sup> RIAA (2021) Responsible Investment Standard: Assessment Note - P3: Avoiding significant harm - Minimum requirements, <https://responsibleinvestment.org/wp-content/uploads/2021/10/Assessment-Note-P3-Avoid-Significant-Harm.pdf>

<sup>10</sup> UNDP (2015) Sustainable Development Goals, <https://www.undp.org/sustainable-development-goals>, accessed October 2021.

The catastrophic humanitarian consequences of any use of nuclear weapons (by intent, accident or miscalculation) anywhere in the world threatens the fulfilment of the Sustainable Development Goals.

In particular, SDG 16 – Peace Justice and Strong Institutions aims to 'Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels'. By not investing in nuclear weapons producers, Funds can make a meaningful contribution to achieving SDG 16.

## REPUTATIONAL RISK: MEMBERS' VALUES MATTER

*Whether or not they are subject to a legal prohibition against nuclear weapons-related activity, companies and investors will continue to face increased reputational risks as a result of the stigmatising effects of the Treaty.<sup>11</sup>*

<sup>11</sup> Wynn-Pope, et al. (2021) The UN Treaty on the Prohibition of Nuclear Weapons: implications for companies and institutional investors, <https://www.corrs.com.au/insights/the-un-treaty-on-the-prohibition-of-nuclear-weapons-implications-for-companies-and-institutional-investors>, accessed October 2021.



The Australia Institute surveyed a nationally representative sample of 1,010 Australians about their attitudes towards nuclear weapons in superannuation funds. Results show that:

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

**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% of 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.**

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

Funds that continue to invest in nuclear weapons producers are likely to face increased pressure from members to divest such holdings, particularly as the portfolio disclosure regime comes into effect. New regulations under the *Corporations Act 2001* (Cth) regarding enhanced disclosure by su-

perannuation Funds of their portfolio holdings are set to come into force next year on the 1st of January, with full disclosure of holdings required by 31st of March 2022.

Increased transparency will enable greater accountability. Existing members, prospective members and comparison sites will be able to identify Funds' nuclear weapons holdings across equities, debt and corporate bonds. They will also be able to see if Funds comply with their stated policies regarding investment in nuclear weapons.

## **DOMESTIC LEGISLATION**

Australia has joined all multilateral arms control and disarmament treaties open to it. While the current government has not signed or ratified the Treaty on the Prohibition of Nuclear Weapons, the Australian Labor Party has committed to do so when in government. It is only a matter of time before Australia joins the TPNW.

When Australia joins the ban, trustees may be putting themselves at risk if funds fail to exclude nuclear weapons producers from all investment portfolios.

## **SUMMARY**

Nuclear weapons are now prohibited under international law alongside other controversial weapons that the international community has long considered to be inhumane, unacceptable and illegal. They should now be treated as such, with 0% revenue threshold.

Financial institutions worldwide are increasingly divesting from nuclear weapons companies. Ongoing investment carries increased investment risk and is not consistent with trustees' fiduciary duty.

The majority of Fund members in Australia are opposed to continued investment by their fund in companies that produce nuclear weapons.

## EXHIBIT 6 Reasons financial institutions exclude companies involved in nuclear weapons production

Country	Organisation	Rationale
Germany	Deutsche Bank	To mitigate reputational risk. <sup>12</sup> Nuclear weapons are indiscriminate and cause undue suffering and a disproportionate humanitarian impact on civilian populations. <sup>13</sup>
Belgium	KBC	Nuclear weapons are prohibited by international (and national) law. <sup>14</sup>
USA	Green Century Fund Manager	Nuclear weapons are unacceptably threatening to a sustainable global environment. <sup>15</sup>
USA	Zevin Asset Management	We have an exclusive purpose of managing socially responsible investment portfolios. <sup>16</sup>

12 Deutsche Bank (2018) Deutsche Bank upgrades its policy Policy on Controversial Weapons, [https://www.db.com/news/detail/20180523-deutsche-bank-upgrades-its-policy-on-controversial-weapons?language\\_id=1](https://www.db.com/news/detail/20180523-deutsche-bank-upgrades-its-policy-on-controversial-weapons?language_id=1), accessed November 2021.

13 Deutsche Bank (2020) Controversial Weapons Principles, Prospectus, p 3, [https://www.db.com/newsroom\\_news/Controversial\\_Weapons\\_Principles\\_ENG.pdf](https://www.db.com/newsroom_news/Controversial_Weapons_Principles_ENG.pdf), accessed 28 November 2020.

14 KBC Group (2018) KBC Group Policy on Arms-related Activities, [https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD\\_KBCGroup-PolicyonArms-relatedActivities.pdf](https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD_KBCGroup-PolicyonArms-relatedActivities.pdf), accessed October 2021.

15 Green Century Funds (2020) Prospectus, <https://www.greencentury.com/wp-content/uploads/2020/11/GCCM-Prospectus-11.28.20.pdf>, accessed October 2021.

16 Don't Bank on the Bomb (2020) Zevin Asset Management, <https://www.dontbankonthebomb.com/zevin-asset-management/>, accessed October 2021.

Country	Organisation	Rationale
Ireland	Ireland's Sovereign Wealth Fund - The Irish Strategic Investment Fund	Adoption of Sustainable and Responsible Investment Strategy and to mitigate Reputational Risk. <sup>17</sup>
Italy	Banca Etica	We operate exclusively in the field of sustainable and alternative finance. <sup>18</sup>
Japan	Sixteen institutions including Japan Post Bank Co, Mitsubishi UFJ Financial Group, Sumitomo Mitsui Banking Corporation and Resona Bank.	To mitigate reputational risk (to avoid international criticism). <sup>19</sup>
Norway	Norwegian Government Pension Fund	Normal use of nuclear weapons violates fundamental humanitarian principles. <sup>20</sup>
Norway	KLP Norway's largest pension company	Under international law, these types of weapons are problematic. <sup>21</sup>

17 Dáil Éireann (2021) Debate on the Ireland Strategic Investment Fund, <https://www.oireachtas.ie/en/debates/question/2021-03-04/38/?highlight%5B0%5D=co&highlight%5B1%5D=co&highlight%5B2%5D=co&highlight%5B3%5D=co&highlight%5B4%5D=co&highlight%5B5%5D=co&highlight%5B6%5D=co&highlight%5B7%5D=co&highlight%5B8%5D=co&highlight%5B9%5D=co>, accessed October 2021.

18 Don't Bank on the Bomb (2018) Banca Etica, <https://www.dontbankonthebomb.com/banca-etica/>, accessed October 2021.

19 The Japan Times (2020) Sixteen Japanese lenders don't invest in firms linked to nuclear arms, <https://www.japantimes.co.jp/news/2020/05/03/business/corporate-business/many-japanese-lenders-refuse-invest-companies-linked-nuclear-arms/>, accessed October 2021.

20 Norwegian Government Pension Fund (2020) Committee to review the Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global (GPGF), <https://nettsteder.regjeringen.no/etikuttvalget/etikuttvalget-for-statens-pensjonsfond-utland/>, accessed October 2021.

21 Bloomberg, Norway's Biggest Pension Firm Exits Raytheon, Rolls-Royce on Nuclear Weapons Link, 4 November 2021, <https://www.bloombergquint.com/business/norway-s-klp-exits-raytheon-rolls-royce-on-nuclear-weapons-link>, accessed December 2021.

Country	Organisation	Rationale
<b>The Netherlands</b>	ABP Pension Fund	Nuclear weapons are by definition harmful, shareholders cannot influence that fact, and a worldwide treaty (TPNW) exists for the purpose of eliminating the product. <sup>22</sup>
<b>New Zealand</b>	Pathfinder Kiwisaver Funds	The manufacture of these weapons is inconsistent with UN Sustainable Development Goal #16 Peace, Justice and Strong Institutions. <sup>23</sup>
<b>Sweden</b>	Pension funds AP1, AP2, AP4	Integrating sustainability in portfolio management leads to improved returns and the underlying purpose of the NPT, which Sweden is party to, aims to restrict the use, scope and distribution of nuclear weapons in all countries. <sup>24</sup>
<b>Sweden</b>	Länsförsäkringar Banking and Insurance	Existence of UN TPNW and its entry into force. <sup>25</sup>
<b>Switzerland</b>	Ethos Swiss Foundation for Sustainable Development	Nuclear weapons are illegal and breach fundamental principles of international humanitarian law. <sup>26</sup>

<sup>22</sup> APB, ABP Pension Fund excludes tobacco and nuclear weapons, 11 January 2018, [https://www.abp.nl/images/eng\\_persbericht\\_productuitsluiting.pdf](https://www.abp.nl/images/eng_persbericht_productuitsluiting.pdf), accessed December 2021.

<sup>23</sup> Booster (2021) Approach to Responsible Investing, September 2021, p 2, <https://www.booster.co.nz/media/962721/booster-approach-to-responsible-investing-sept-2021.pdf>, accessed October 2021.

<sup>24</sup> AP2 (2019) Andra AP-fonden divests from tobacco and nuclear weapons, <https://ap2.se/en/andra-ap-fonden-divests-from-tobacco-and-nuclear-weapons/>, accessed October 2021.

<sup>25</sup> ICAN (2021) Länsförsäkringar bans nuclear weapon investments, [https://www.icanw.org/swedish\\_lansforsakringar\\_bans\\_nuclear\\_weapon\\_investments](https://www.icanw.org/swedish_lansforsakringar_bans_nuclear_weapon_investments), accessed October 2021.

<sup>26</sup> Ethos (2020) Ethos' eight Socially Responsible Investment principles, [https://www.ethosfund.ch/sites/default/files/2021-03/2020\\_Principes\\_Ethos\\_pour\\_ISR\\_EN\\_web.pdf](https://www.ethosfund.ch/sites/default/files/2021-03/2020_Principes_Ethos_pour_ISR_EN_web.pdf), accessed October 2021.

# ANALYSIS OF FUNDS

Funds analysed in this section hold over 80% of superannuation funds under management and superannuation members in Australia (excluding self-managed super funds).

*Image: Health workers celebrate the Entry into Force of the TPNW, Melbourne, January 2021  
Image credit: Jessie Boylan*



# ACTIVE SUPER

Active Super is an industry fund, originally for NSW local government employees, but now promoted as a super fund for ethical/responsible investors. It has 80,000 members and \$14 billion in funds under management.<sup>1</sup>

## POLICIES: WHAT THEY SAY

### Website

Active Super's website states that their 'responsible investment principles are applied to our entire range of products'<sup>2</sup> and that companies are screened for their ESG impact. The responsible investment principles include a blanket exclusion of companies that 'derive revenue'<sup>3</sup> from controversial weapons including nuclear weapons, or tobacco.

<sup>1</sup> Active Super (n.d.) We walk the green talk, <https://www.activesuper.com.au/about-us/>, accessed October 2021.

<sup>2</sup> Active Super (2021) Our Approach, <https://www.activesuper.com.au/invest-responsibly/making-a-difference/>, accessed October 2021.

<sup>3</sup> Active Super (2021) Responsible Investing, <https://www.activesuper.com.au/learn-and-grow/education-hub/responsible-investing-101/>, accessed October 2021.

### ESG and/or Product Disclosure Statement

The Sustainable and Responsible Investment Policy<sup>4</sup> states:

*The long term prosperity of the economy and the wellbeing of members depends on a healthy environment, social cohesion and good governance of Active Super and the companies in which it invests...*

*External asset consultants... must demonstrate they have the ability and resources to factor in ESG risks when advising on asset sectors, manager selection and portfolio construction... [and] Active Super will also be expected to contribute to the monitoring of ESG risks...*

*Investment managers should include a demonstration of how an assessment of ESG risks is incorporated into the investment process... The Active Super Investment Team*

<sup>4</sup> Active Super (2020) Sustainable and Responsible Investment Policy, [https://www.activesuper.com.au/getattachment/170202f7-a73a-4236-9995-59e44634dd73/210526\\_Responsible-investment-policy\\_vF.pdf](https://www.activesuper.com.au/getattachment/170202f7-a73a-4236-9995-59e44634dd73/210526_Responsible-investment-policy_vF.pdf), accessed October 2021.

### RECOMMENDATIONS

**It appears Active Super is nuclear weapons free.**

**Active Super should clarify whether funds that they do not directly manage also exclude nuclear weapons. Other than this, Active Super's policy on nuclear weapons is exemplary.**

**Active Super should disclose all holdings.**

*will be charged with monitoring the investment portfolios of its investment managers...*

*Active Super will not make investments in companies that derive any revenues... from Controversial weapons: Companies involved in the manufacture and/or production of controversial weapons such as land mines, cluster bombs and nuclear weapons.*

The Product Disclosure Statement states:<sup>5</sup>

*Aside from all the required disclosures related to responsible investment strategy, holdings and performance, we also have at least 75% of our total fund, across all assets, managed under multiple responsible investment strategies...*

*Active Super will not actively invest in companies that derive any revenue from:*

*- Controversial weapons: Including the manufacture and/or production of controversial weapons such as land mines, cluster bombs and nuclear weapons...*

*Active Super will not actively invest in com-*

---

5 Active Super (2021) Product Disclosure Fact Sheet, How We Invest Your Money, [https://www.activesuper.com.au/getattachment/4d0ec723-947a-4e30-bc4e-df-1cf5073a09/210630\\_L1562\\_Div-A-5-How-we-invest-your-money\\_FINAL.pdf](https://www.activesuper.com.au/getattachment/4d0ec723-947a-4e30-bc4e-df-1cf5073a09/210630_L1562_Div-A-5-How-we-invest-your-money_FINAL.pdf), accessed October 2021.

*panies that derive 10% or more of their revenue from:*

*- Uranium mining/nuclear: Including involvement in uranium mining and production of nuclear energy.*

### **Hands On Active Super Choice**

Members choose from Active Super's existing options. So, clearly, all policies still apply and any selection made by a member would be nuclear weapons free. Active Super does not offer any ETFs specifically for the Hands On option.

### **Policy Evaluation**

Active Super has a clear ethical position against investing in nuclear weapons. The Responsible and Sustainable Investment Policy has firm wording, however the Product Disclosure Statement wording is less iron-clad.

Up to 25% of Active Super's funds are not under active management. While Active Super says that investment managers should assess ESG risks and that Active Super is responsible for monitoring those, it is unclear if this process is comprehensive.

## **HOLDINGS: WHAT THEY DO**

Active Super only discloses its thirty largest international holdings, which represent 28.78% of its portfolio.<sup>6</sup> No nuclear weapons companies appear in this list.

### **Nuclear weapons holdings**

No nuclear weapons companies appear in Active Super's proxy voting records for the financial year 2020-2021.<sup>7</sup>

---

6 Active Super (2021) Top 30 holdings, <https://www.activesuper.com.au/invest-responsibly/holdings-and-fund-managers/top-30-holdings/>, accessed October 2021.

7 Active Super (2021) Proxy voting, <https://www.activesuper.com.au/invest-responsibly/making-a-difference/active-ownership/proxy-voting/>, accessed October 2021.

# AUSTRALIANSUPER

## RECOMMENDATIONS

Update the responsible investing policy, to ensure all companies that derive revenue from nuclear weapons are excluded across the whole portfolio, with a 0% revenue threshold.

Divest from all current nuclear weapons holdings.

AustralianSuper is Australia's largest superannuation fund by both funds under management and by membership, with over \$233 billion in assets and over 2.4 million member accounts as of June 2021, according to the 2021 Annual Report.

## POLICIES: WHAT THEY SAY

### Website

AustralianSuper's website identifies tobacco as their only fund-wide exclusion: 'Across our broader portfolio, we don't implement screens, with the exception of tobacco. Tobacco is a unique investment, due to its particular characteristics and the damage it causes.'<sup>1</sup>

AustralianSuper offers Socially Aware and Member Direct options that allow members to invest to higher ESG standards. The Socially Aware option excludes companies

<sup>1</sup> AustralianSuper (2021) Frequently asked questions, <https://www.australiansuper.com/investments/how-we-invest/faqs>, accessed October 2021.

that directly own uranium reserves<sup>2</sup> but it does not exclude companies that produce nuclear weapons.

## ESG and Product Disclosure Statement

AustralianSuper's ESG and stewardship policy says its program rests on three pillars:

- i. ESG Integration wherein the Fund integrates ESG considerations across its investment process;*
- ii. Stewardship wherein the Fund exercises the rights and responsibilities of ownership on behalf of members; and*
- iii. Member Values wherein the Fund provides members with investment choices consistent with their personal values.<sup>3</sup>*

<sup>2</sup> AustralianSuper (n.d.) Investing in a better future, <https://www.australiansuper.com/campaigns/socially-aware#disclaimer>, accessed October 2021.

<sup>3</sup> AustralianSuper (2021) ESG and stewardship policy, <https://www.australiansuper.com/investments/how-we-invest/esg-management>, accessed October 2021.

The policy gives little detail about specific areas of concern, other than tobacco, where it is stated:

*We believe tobacco warrants special consideration due to its particular characteristics and the damage it causes. There is no safe level of consumption; it's highly addictive and it is the largest preventable cause of death in the world.*<sup>4</sup>

It is surprising that even the Socially Aware option includes nuclear weapons companies.

The Product Disclosure Statement provides no additional information.<sup>5</sup>

## Policy Evaluation

The policy is clear but unsatisfactory, with no mention or exclusion of nuclear weapons.

The stated reasons for tobacco exclusion apply to nuclear weapons. There is no safe

<sup>4</sup> AustralianSuper (2019) Tobacco Divestment, <https://www.australiansuper.com/investments/how-we-invest/tobacco-divestment>, accessed October 2021.

<sup>5</sup> AustralianSuper (2021) Product disclosure statements, <https://www.australiansuper.com/tools-and-advice/learn/product-disclosure-statements>, accessed October 2021

level of consumption and tobacco is an even greater cause of preventable death globally.<sup>6</sup>

## HOLDINGS: WHAT THEY DO

AustralianSuper provides a full list of all its holdings and the values for all listed securities. The value of AustralianSuper's holdings in each nuclear weapons company, across all listed options, can be viewed in the Appendix.<sup>7</sup>

### Nuclear weapons holdings

The tables below reveal AustralianSuper's investments in nuclear arms producers across all listed portfolios, and their relative weighting.<sup>8</sup>

AustralianSuper invests close to \$1.5 billion in nuclear weapons companies, which represents 0.64% of total Funds Under Management of \$233 billion.

<sup>6</sup> Physicians for Social Responsibility (2013) Nuclear Famine: Two Billion People at Risk? <https://www.psr.org/blog/resource/nuclear-famine-two-billion-people-at-risk/>, accessed October 2021.

<sup>7</sup> AustralianSuper (2021) What we invest in, <https://www.australiansuper.com/investments/what-we-invest-in/our-superannuation-investments>, accessed October 2021.

<sup>8</sup> AustralianSuper (2021) What we invest in, <https://portal.australiansuper.com/investments-and-performance/what-we-invest-in/superannuation-premixed-investment-options/balanced.aspx>, data extracted October 2021.

## Overview of holdings

Table 2 shows total holdings for the listed investment options as at 30th June 2021.<sup>9</sup> These asset holdings exclude the holdings in unlisted asset classes of 'Infrastructure', 'Property', 'Private Equity and Other Assets' for which the values of the holdings are not disclosed.

### In summary:

1. AustralianSuper invests in 18 of the 25 companies identified as nuclear weapon producers by Don't Bank on the Bomb.
2. Overall, AustralianSuper invests about \$1.5 billion in nuclear weapons producers. This is spread over the various investment options as detailed in the table above. The total Funds Under Management of AustralianSuper is \$233 billion and we estimate the proportion held in nuclear weapons at around 0.64% overall.
3. Surprisingly, of the premixed options, the Socially Aware option held the highest proportion of nuclear weapons producers.

<sup>9</sup> AustralianSuper (2021) What we invest in, <https://portal.australiansuper.com/investments-and-performance/what-we-invest-in.aspx>, accessed October 2021.

**Table 1 AustralianSuper nuclear weapons financing**

Company	Value held AUD
Airbus	23,760,268
BAE Systems	2,225,979
Boeing	61,928,148
BWX Technologies	1,602,234
Fluor	783,418
General Dynamics	100,344,036
Honeywell International	287,820,962
Huntington Ingalls Industries	23,760,268
Jacobs Engineering	2,225,979
L3Harris Technologies	5,355,558
Leidos	1,603,174
Leonardo	1,787,202
Lockheed Martin	6,475,992
Northrop Grumman	321,731,115
Raytheon	24,956,820
Safran	477,382,785
Textron	21,566,808
Thales	1,965,495
<b>Total</b>	<b>1,481,893,841</b>

It invests in 6 nuclear weapon producing companies, namely: Fluor, Huntington Ingalls Industries, Leonardo, Northrop Grumman, Safran and Textron.

4. Holding \$1.5 billion in nuclear weapons companies is a significant reputational risk.

### DIY Member Direct Sustainable Investing

AustralianSuper offers a 'DIY Member Direct Option', and within this option, a choice of sustainable investing is offered.

The 'Sustainable Investing' option provides a choice of 4 Exchange-Traded Funds (ETFs). Two are Australian and would be expected to be nuclear weapons free, given there are no Australian nuclear weapons companies.

The two international ETFs are:

1. ESGI VanEck Vectors MSCI International Sustainable Equity ETF
2. ETHI BetaShares Global Sustainability Leaders ETF

Our research established that ETHI excludes nuclear weapons, but even with an extensive examination of ESGI and relevant index methodology we could not establish if ESGI was nuclear

weapons free. This was because the index tracked by ESGI uses the term 'military weapons (which are excluded) but does not provide a definition for that term nor state what 'military weapons' covers.

See additional data on AustralianSuper holdings: <https://quitnukes.org/2021-report-additional-data/>

**Table 2 Overview of holdings**

Option	Total Assets AUD	Nuclear weapons producers (\$)	Percentage
High Growth	19,103,509,919	171,917,794	0.90%
Balanced	158,832,171,396	1,147,413,844	0.72%
Socially Aware	2,479,580,560	29,677,137	1.20%
Indexed Diversified*	1,199,662,442	0	0.00%
Conservative Balanced	5,484,564,796	30,588,032	0.56%
Stable	4,175,127,742	14,870,274	0.36%
International Shares	4,251,591,238	83,020,142	1.95%
Diversified Fixed Interest	1,408,247,480	4,406,168	0.31%
Australian Shares	4,601,597,296	0	0.00%
Property	330,611,769	0	0.00%
Member Direct	2,293,108,477	0	0.00%
Cash	208,452,437,348	0	0.00%
All Options total	206,159,328,871	1,481,893,841	0.72%
Unlisted Options	~26,840,671,129	Unknown	Unknown
<b>Total Funds Under Management</b>	<b>~233,000,000,000</b>	<b>1,481,893,841</b>	<b>0.64%</b>

\*Vanguard International Shares Select Exclusions Index Fund



# AWARE SUPER

**Aware Super is Australia's second largest superannuation fund, with approximately \$150 billion in assets and 1.1 million member accounts as of June 2021.<sup>1</sup>**

Aware Super's default MySuper product is called MySuper Lifecycle. This was recently updated in June 2021. Aware Super's MySuper Lifecycle is where close to 600,000, or more than 85%, of Aware Super's (accumulation) members have their superannuation invested.

## **POLICIES: WHAT THEY SAY**

### **Website**

Aware Super's website contains general information regarding their approach to responsible investment including action on climate change and other social issues, but no specific information on nuclear weapons. It directs users to their Responsible Investment/ESG policy for more comprehensive information.

<sup>1</sup> Correspondence with Aware Super, 12th November 2021.

### **ESG policy**

The ESG policy states:

*The integration of ESG in the investment process does not mean the exclusion of particular companies on ethical grounds. Rather, integration of ESG requires that the impact of ESG issues on the value of a company is included in the valuation process. The Trustee's investment approach has generally not been to exclude particular companies or sectors, but rather to use engagement and proxy voting to influence the behaviour of investee companies. However, there are some circumstances in which it is appropriate to consider exclusions of a sector or a specific stock. These circumstances include:*

*if the Trustee considers that an investment is inappropriate for the Fund to the extent that it may have a negative impact on the reputation of the Fund;*

*if the investment would lead to contravention of international treaties or conventions that Australia is a signatory to; or if it is not deemed possible to influence a company through engagement or proxy voting.*

### **RECOMMENDATIONS**

**Include nuclear weapons in the definition of controversial weapons.\***

**Ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold across all portfolios.**

*\*As of November 2021, Aware Super has committed to reviewing its controversial weapons criteria to consider including nuclear weapons as part of their controversial weapons exclusion in the 'near future'.*

*The Trustee has approved the divestment from and the exclusion of the following:*

*1. Tobacco: Direct investments in tobacco manufacturers and/or producers (including subsidiaries, joint ventures and affiliates) which derive 5% or more of their revenue from the manufacture and/or production of tobacco products.*

*2. Thermal Coal: Direct investments in companies that generate 10% or more of their revenues generated directly from mining thermal or energy coal.*

*3. Controversial Weapons: Direct investments in companies that derive any revenue from the manufacture and/or production of controversial weapons including chemical weapons, cluster munitions, land mines and depleted uranium.<sup>2</sup>*

The same exclusions apply for Aware Super's socially responsible options.

## Policy Evaluation

While the ESG policy makes note of a controversial weapons policy, nuclear weapons are not included as controversial weapons. The policy states that contravention of an

---

<sup>2</sup> Aware Super (2020) Responsible investment: Environmental, social and corporate governance policy, <https://aware.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf>, accessed November 2021.

international treaty where Australia is a signatory to is an appropriate circumstance to consider exclusion of a sector or specific stock, however Aware Super has advised any exclusions based on this will be considered on a case by case basis.<sup>3</sup>

## HOLDINGS: WHAT THEY DO

Aware Super only provides a list of their top 50 international equity holdings, with their weighting but no actual monetary value. A list of their entire Australian and International equity holdings for their Socially Responsible Investment options is provided, without monetary values. Note that a full list of portfolio holdings will be disclosed in 2022, in line with regulatory requirements.

For Aware Super's Growth managed investment options, the top 50 list accounts for 34.82% of all international equities held, with the remainder spread across smaller investments. There is no transparency as to what those investments are.

Included in the top 50 list are BAE Systems, which accounts for 0.42% of the asset class, and Safran, which accounts for 0.34% of the asset class.

---

<sup>3</sup> Correspondence with Aware Super, 12th November 2021.

## Nuclear weapons holdings

Despite the broader lack of transparency in holdings and value, Aware Super provides a list of shareholder voting records, from which the following companies, in addition to BAE Systems and Safran, are identified from votes during the 2020/21 financial year:

- Boeing
- BWX Technologies
- Fluor
- Honeywell International
- Huntington Ingalls Industries
- Jacobs Engineering
- L3Harris Technologies
- Leidos
- Lockheed Martin
- Raytheon
- Safran
- Textron

Aware Super states that they will consider exclusions 'if the investment would lead to contravention of international treaties or conventions that Australia is signatory to.'

With the entry into force of the UN Treaty on the Prohibition of Nuclear Weapons in 2021, assisting with the development of nuclear weapons is prohibited under international law. It is commendable that Aware Super excludes controversial weapons across

all of their holdings, but it is yet to include nuclear weapons.

As of November 2021, Aware Super has committed to reviewing its controversial weapons criteria to consider including nuclear weapons as part of their controversial weapons exclusion in the 'near future'.

# BT FUNDS MANAGEMENT

## RECOMMENDATIONS

**Update the definition of controversial weapons to include nuclear weapons, regardless of where they are produced.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with 0% revenue threshold.**

**Adopt an investment mandate for external trusts, passive investments and exchange-traded funds to select options that exclude nuclear weapons.**

**Divest from all current nuclear weapons holdings.**

BT Funds Management is a wealth management company that offers superannuation, insurance and investment products. It is part of the Westpac Group. Membership numbers and funds under management for the superannuation business are not readily available.

## POLICIES: WHAT THEY SAY

### Website and other promotional material

BT Funds Management's Superannuation website lacks detail about their approach to ESG<sup>1</sup>, however the Sustainability Framework states that:

*Production of controversial weapons, including ... nuclear weapons activities in contravention of the UN Treaty on the Non-Proliferation of Nuclear Weapons (NPT) is excluded from investments in Australian and international shares held in internally developed and managed investment options, including our default MySuper Lifestage funds.*

<sup>1</sup> BT Funds Management (n.d.) Super with BT, <https://www.bt.com.au/personal/superannuation.html>, accessed October 2021.

Further, there's a disclaimer that:

*These exclusions apply to Australian and international shares exposures where we have an investment management agreement with the investment manager. BT does not typically have the ability to implement ESG exclusions in external trust investments (pooled vehicles).<sup>2</sup>*

### Sustainable Investment Policy

The Sustainable Investment Policy for internally developed and managed investment options states:<sup>3</sup>

*Unless otherwise noted, this Policy applies to internally developed and managed investment options issued or managed by BT entities.*

<sup>2</sup> BT Funds Management (2020) BT Sustainability Framework, <https://www.bt.com.au/content/dam/public/btfg-bt/documents/about-bt/corporate-sustainability/bt-sustainability-framework.pdf>, accessed October 2021.

<sup>3</sup> BT Funds Management (2020) BT Sustainable Investment Policy, <https://www.bt.com.au/content/dam/public/btfg-bt/documents/about-bt/corporate-sustainability/bt-sustainable-investment-policy.pdf>

*In some instances, superannuation and investment products issued by a BT Registrable Superannuation Entity Licensee (RSE Licensee) wholly invest in these internally developed and managed investment options, including the BT MySuper Lifestage products.*

*Our preference is to influence the behaviour of companies in which we invest through engagement and proxy voting, with a view to working with boards and management to address material ESG issues.*

*In very limited circumstances, where it is deemed not feasible to influence a company through engagement or proxy voting, BT may consider excluding certain securities or industries from our investible universe.*

*The below activities have been assessed against this Policy and companies undertaking these activities may be excluded from our investible universe. These excluded activities may change from time to time and we will continue to monitor these and other emerging issues, and to regularly assess them against the defined approach.*

#### *Controversial weapons*

*Controversial weapons are so-called due to their indiscriminate and disproportional humanitarian impact on civilian populations,*

*often with effects that can be felt long after military conflicts have ended. A number of these weapons are banned under international agreements ratified by Australia. This includes the following:*

- anti-personnel mines;*
- cluster weapons;*
- biological and chemical weapons; and*
- nuclear weapons activities in contravention of the UN Treaty on the Non-Proliferation of Nuclear Weapons (NPT).*

Members of corporate and retail superannuation products have available investment options that exclude nuclear weapons, within in the Pandal Sustainable Investment options.<sup>4</sup>

#### **Policy Evaluation**

BT Funds Management has a very limited exclusion of nuclear weapons companies for internally managed investments. This exclusion does not apply to the majority of nuclear weapons producing companies, and does not apply to their external trust investments.

BT Funds Management does not have an adequate policy to exclude nuclear weapons companies.

<sup>4</sup> Correspondence with BT Funds management, 23 November 2021.

## **HOLDINGS: WHAT THEY DO**

There is no disclosure of holdings on the BT Funds Management website.

### **Nuclear weapons holdings**

Examination of shareholder voting records show that BT Funds Management held shares in the following nuclear weapons-related companies in the 2020/21 financial year:<sup>5</sup>

- Airbus
- BAE Systems
- Boeing
- General Dynamics
- Honeywell International
- Huntington Ingalls Industries
- Jacobs Engineering
- L3Harris Technologies
- Leidos
- Lockheed Martin
- Northrop Grumman
- Raytheon
- Safran
- Textron
- Thales

<sup>5</sup> BT Funds Management (2021) Proxy voting dashboard, <https://vds.issgovernance.com/vds/#/ODg3MDA=/>, accessed November 2021.

# CARESUPER

CareSuper is an industry superannuation fund, open to people of all occupations, but membership base is primarily made up of people in professional, managerial, administrative and service occupations in all business sectors. It has \$19.7 billion in assets and over 230,000 member accounts as of June 30 2021.<sup>1</sup>

## POLICIES: WHAT THEY SAY

### Website

CareSuper states it uses a range of specialist investment managers across different asset classes and, before deciding to invest with them, assesses their ESG capabilities. The only explicitly identified exclusion across all investments is tobacco.<sup>2</sup>

CareSuper offers options that exclude 'Controversial weapons (sales and production)'

<sup>1</sup> Correspondence with CareSuper, 26th November 2021

<sup>2</sup> CareSuper (n.d.) Responsible investing, <https://www.caresuper.com.au/investments/how-we-invest/responsible-investing>, accessed October 2021.

and 'Power producers that generate more than 30% of their revenue from nuclear sources'.<sup>3</sup>

### ESG and Product Disclosure Statement

CareSuper's Responsible Investing Policy guides the fund's work on ESG integration and implementation.<sup>4</sup>

The product disclosure statement's investment guide says:

*We consider environmental, social and governance (ESG) factors when choosing investments.*<sup>5</sup>

Positive and negative screens for their Sustainable Balanced option are listed on their website.

<sup>3</sup> CareSuper (n.d.) Our Sustainable Balanced option, <https://www.caresuper.com.au/sustainable-super>, accessed October 2021.

<sup>4</sup> Care Super 2021 Responsible Investing Policy <https://www.caresuper.com.au/sites/default/files/2021-04/responsible-investing-policy-version-7-march-2021-20210427.pdf> Accessed November 2021

<sup>5</sup> CareSuper (2021) Investment guide, <https://www.caresuper.com.au/tools-resources/forms-publications>, accessed October 2021.

## RECOMMENDATIONS

**Expand the controversial weapons screen to all options.**

**Disclose all holdings.\***

**Divest from all current nuclear weapons holdings.\*\***

*\* CareSuper advised it is currently working on portfolio holdings disclosure in line with the recent regulatory reforms, and this information will be made available on their website by the end of March 2022.*

*\*\*CareSuper advised that these holdings have since been divested.*



## Policy Evaluation

CareSuper's definition of controversial weapons includes landmines, cluster munitions, chemical and biological weapons, depleted uranium weapons and nuclear weapons, but this applies only to their Sustainable Balanced option.

ESG factors are 'considered' but there is a lack of clarity about implementation across the wider portfolio.

## HOLDINGS: WHAT THEY DO

CareSuper only provides a list of their top 20 overseas shares, accounting for 21.18% of the total asset class.

No nuclear companies were found in the top 20 holdings.<sup>6</sup>

### Nuclear weapons holdings

Examination of shareholder voting records show that CareSuper held shares in the following nuclear weapons-related

companies in the 2020/21 financial year:<sup>7</sup>

- Safran
- Thales

CareSuper confirmed in November 2021 that these holdings have since been divested:

*At CareSuper, we believe that environmental, social and governance (ESG) factors, including exposure to nuclear weapons, can impact investment risks and returns and contribute to our ability to deliver sustainable growth for the benefit of our members... as at 26 November CareSuper does not currently hold any stocks in the companies Safran and Thales.<sup>8</sup>*

CareSuper also advised it is currently working on portfolio holdings disclosure in line with the recent regulatory reforms, and this information will be made available on their website by the end of March 2022.<sup>9</sup>

<sup>6</sup> CareSuper (2021) Where we invest your super, <https://www.caresuper.com.au/investments/how-we-invest/where-we-invest-your-super>, accessed October 2021.

<sup>7</sup> CareSuper (2021) Investment Proxy Voting: We vote to protect your interests, <https://www.caresuper.com.au/we-vote-protect-your-interests>, accessed October 2021.

<sup>8</sup> Correspondence with CareSuper November 2021

<sup>9</sup> Correspondence with CareSuper November 2021

# CATHOLIC SUPER

## RECOMMENDATIONS

**Divest from all nuclear weapons holdings.**

**When the Responsible Investment Policy is reviewed in 2022, include nuclear weapons as part of a portfolio-wide controversial weapons exclusion.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with 0% revenue threshold.**

**Disclose all holdings.**

**Catholic Superannuation Fund (Catholic Super) is an industry superannuation fund, originally focused on teachers and staff in Catholic schools. It has 68,000 members. Its joint venture with Equip Super represents 137,000 members with \$2 billion under management.<sup>1</sup>**

## POLICIES: WHAT THEY SAY

### Website

The Responsible Investing section of the website does not mention nuclear or controversial weapons.<sup>2</sup> The 2020 Responsible Investment Report similarly does not mention nuclear or controversial weapons.<sup>3</sup> The Positive Impact investment option does not appear to consider controversial weapons.<sup>4</sup>

<sup>1</sup> Catholic Super (2021) About us, <https://csf.com.au/about-us>, accessed November 2021.

<sup>2</sup> Catholic Super (n.d.) Responsible Investment, <https://csf.com.au/investments/responsible-investing>, accessed October 2021.

<sup>3</sup> Catholic Super (2020) Responsible Investment Report, <https://csf.com.au/sites/default/files/2021-05/cs%20responsible-investment-report-2020.pdf>, accessed October 2021.

<sup>4</sup> Catholic Super (n.d.) Positive IMPACT, <https://csf.com.au/positiveimpact>, accessed October 2021.

## ESG and/or Product Disclosure Statement Policy

The Responsible Investment Policy does not mention nuclear or controversial weapons.<sup>5</sup> The Policy emphasises its prioritisation of active ownership. The criteria for exclusions are vague:

*Factors that will be considered when assessing the merit of negative screening or divestment include:*

*The nature of the company's activities and behavior;*

*Perceptions regarding member and community attitudes towards the activities or behaviors in question;*

*Whether engagement indirectly via industry initiatives, via asset managers or directly with companies is likely to bring about the desired change; and*

<sup>5</sup> Catholic Super (2020) Responsible Investment Policy, [https://csf.com.au/sites/default/files/2020-07/responsible\\_investment\\_policy.pdf](https://csf.com.au/sites/default/files/2020-07/responsible_investment_policy.pdf), accessed October 2021.

*The potential impact of divestment on the investment performance of the Trustee's overall portfolio and the practical considerations of implementation.*

## **Policy Evaluation**

Currently, Catholic Super does not have an adequate policy to exclude nuclear weapons. The Responsible Investment Policy is due for review in 2022.

## **HOLDINGS: WHAT THEY DO**

Catholic Super lists its 100 largest international holdings on its website. No nuclear companies appear in the list of top 100 holdings.

### **Nuclear weapons holdings**

Examination of proxy voting records indicates that in the financial year 2020/2021 Catholic Super held shares in:<sup>6</sup>

- BAE Systems
- Fluor
- Honeywell International

---

<sup>6</sup> Catholic Super 2021 Proxy Voting Dashboard <https://csf.com.au/investments/responsible-investing>, accessed December 2021.

# CBUS SUPER

**The Construction and Building Unions Superannuation Fund (Cbus Super) is a major industry superannuation fund with \$55 billion in assets and 776,575 member accounts as of June 2020.<sup>1</sup>**

**Cbus Super's default MySuper option, Growth, is the fourth largest MySuper product in Australia by value, managing \$44.6 billion and 672,833 member accounts.<sup>2</sup>**

## **POLICIES: WHAT THEY SAY**

### **Website**

Cbus Super's website states that they apply a 100% negative screen on their Australian shares in relation to tobacco and controversial weapons, and a 95% negative screen on international shares, and that 'tobacco and controversial weapons stocks are not held

<sup>1</sup> APRA (2020) Annual fund-level superannuation statistics, <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>, accessed October 2021.

<sup>2</sup> APRA (2020) Annual MySuper statistics, <https://www.apra.gov.au/annual-mysuper-statistics>, accessed October 2021.

in the remaining 5% due to the investment approach of these pooled trust managers.'<sup>3</sup>

A definition of controversial weapons is not given, and nuclear weapons are not mentioned.

Cbus Super does not address controversial weapons in its Responsible Investment Principles.<sup>4</sup>

Cbus Super does not have a separate ethical investment option.<sup>5</sup>

### **ESG and/or Product Disclosure Statement**

Cbus Super's ESG policy contains exclusions for tobacco and controversial weapons, as well as 'companies identified

<sup>3</sup> Cbus Super (2021) Sustainability, <https://www.cbussuper.com.au/about-us/sustainability>, accessed October 2021.

<sup>4</sup> Cbus Super (2018) Cbus Responsible Investment Principles, <https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Principles.pdf>, accessed October 2021.

<sup>5</sup> Cbus Super (2021) Investment handbook, <https://www.cbussuper.com.au/tools-resources/forms-and-publications>, accessed October 2021.

## **RECOMMENDATIONS**

**Update the definition of controversial weapons to include nuclear weapons, especially in light of the entry into force of the UN Treaty on the Prohibition of Nuclear Weapons.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with 0% revenue threshold.**

**Update exclusion policy for clarity.**

in emerging market mandates as having particularly poor ESG practices.<sup>6</sup>

Within their Responsible Investment Policy, Cbus Super does not mention controversial weapons specifically but does state that exclusions are appropriate 'if the investment would lead to contravention of international treaties or conventions'.<sup>7</sup>

CBUS also has a self-managed investment option. The PDS/Investment Guide notes, in small print: 'The available ETFs do not take into account environmental, social or governance (ESG) issues.'<sup>8</sup>

## Policy Evaluation

Cbus Super does not have an adequate policy on nuclear weapon exclusion.

---

6 Cbus Super (2021) Responsible Investment Supplement, <https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/Responsible-Investment-Supplement-2020.pdf>, accessed October 2021.

7 Cbus Super (2021) Responsible Investment Policy, p 3, <https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf>, accessed October 2021.

8 Cbus Super (2021) Cbus Self Managed investment guide, <https://www.cbussuper.com.au/content/dam/cbus/files/forms-publications/investments/CSM-Investment-Guide.pdf>, accessed November 2021.

## HOLDINGS: WHAT THEY DO

### Investment in nuclear weapons companies

Cbus Super provides a list of their top 50 international equities holdings, with their weighting but no actual value in monetary terms.

The top 50 list accounts for 34.95% of all international equities held. The remainder is spread across smaller investments with no transparency as to what those smaller investments are.

Safran is listed in Cbus Super's international share holdings, accounting for 0.58% of the asset class as of December 2020.<sup>9</sup> According to the same document, international shares held by Cbus Super at the time were valued at \$18.6 billion. Accordingly, the estimated value of shares held in Safran can be estimated to be \$107,880,000.

While further information on holdings by Cbus Super is unavailable, examination of

---

9 Cbus Super (2021) Top 50 international shares holdings at 31 December 2020, <https://www.cbussuper.com.au/content/dam/cbus/files/governance/investment-holdings/International-Share-Holdings.pdf>, accessed October 2021.

proxy voting records indicates that in the financial year 2020/2021 Cbus Super held shares in:<sup>10</sup>

- BAE Systems
- Fluor
- Huntington Ingalls Industries
- Jacobs Engineering
- Leidos
- Safran

Cbus Super reviewed their investments in nuclear weapons companies earlier this year and decided not to change them. They plan to review this decision in Q3 next year.<sup>11</sup>

---

10 Glass Lewis (2021) Cbus Super, <https://viewpoint.glasslewis.com/WD/?siteId=Cbus>, accessed October 2021.

11 Correspondence with CBUS Super, 18 November 2021.

# COLONIAL FIRST STATE FIRSTCHOICE EMPLOYER SUPER

## RECOMMENDATIONS

Update the definition of controversial weapons to ensure nuclear weapons companies from all countries are excluded from all options, with a 0% revenue threshold.

Divest from all holdings in nuclear weapons companies, as suggested by the 2019 media release.

Colonial First State FirstChoice (CFS) is a public offer retail fund with \$83 billion in funds under management, and 12% invested in its authorised MySuper Product.<sup>1</sup>

The MySuper product called 'FirstChoice Life Stage' is offered as 12 sub-options according to a member's year of birth.<sup>2</sup>

CFS was previously wholly owned by the Commonwealth Bank of Australia, but in 2020 announced that 55% is to be sold to US global investment company KKR.<sup>3</sup>

<sup>1</sup> Super Guide (2021) Colonial First State FirstChoice Superannuation Trust, <https://www.superguide.com.au/super-funds-guide/colonial-first-state-first-choice-superannuation-trust>, accessed October 2021.

<sup>2</sup> Colonial First State (2021) FirstChoice Employer Super – Investment Options Menu, <https://www.cfs.com.au/content/dam/prospects/fs/7/3/fs734.pdf?6>, accessed October 2021.

<sup>3</sup> Colonial First State (2020) The next chapter for Colonial First State, <https://www.cfs.com.au/personal/news-and-updates/latest-from-cfs/the-next-chapter-for-colonial-first-state.html>, accessed November 2021.

## POLICIES: WHAT THEY SAY

### Responsible Investment

CFS states that its journey to responsible investing began in 2015 and it lists the numerous steps taken.<sup>4</sup> One example is in February 2019, when CFS signed the Swiss Sustainable Finance letter to index providers. Its media release states:<sup>5</sup>

*Colonial First State has confirmed its support for an open letter from institutional investors calling on index providers to remove controversial weapons from global indices.*

*These weapons include antipersonnel mines, cluster munitions, biological and*

<sup>4</sup> Colonial First State (2021) Responsible Investment, <https://www.cfs.com.au/about-us/corporate-profile/responsible-investment/our-responsible-investing-journey.html>, accessed October 2021.

<sup>5</sup> Colonial First State (2019) Colonial First State supports call for controversial weapons removal from global indices, <https://www.cfs.com.au/content/dam/colonial-first-state/docs/about-us/media-releases/190212-CFS-supports-removal-of-controversial-weapons.pdf>, accessed October 2021.



*chemical weapons, and nuclear weapons. ... Colonial First State remains on track to complete its own divestment from controversial weapons manufacturers by the end of this year.*

Further investigation shows that ‘nuclear weapons’ as referred to in the letter sent to index providers are defined as ‘nuclear weapons produced by countries that have not signed the 1970 Treaty on the Non-Proliferation of Nuclear Weapons (NPT)’. Given that the USA, France, UK, Russia and China have signed the NPT, the call to exclude nuclear weapons does not apply to the majority of nuclear weapons producers.

### **Responsible Investment Policy**

The Policy outlines the various steps taken when assessing whether a security is to be excluded. It does specify however that:<sup>6</sup>

*Colonial First State has two investment exclusions currently in place that are applied across all debt and shareholdings. These consist of an exclusion against tobacco producers and controversial weapons manufacturers.*

<sup>6</sup> Colonial First State (2021) Responsible Investment Policy, <https://www.cfs.com.au/content/dam/colonial-first-state/docs/about-us/trustee-documents/Member-RI-Policy-Flyer-FS7457.pdf>, accessed October 2021

### **Product Disclosure Statement**

The PDS for FirstChoice Employer Super makes it clear that investment in controversial weapons is no longer allowed:

*Due to the labour, environmental and social risks associated with the production of tobacco and controversial weapons, from 1 January 2020, we no longer allow investment managers to invest in securities issued by companies who operate in these industries. There may, from time to time, be a small level of unintended exposure through indirect investment or index derivatives.<sup>7</sup>*

The website goes on to define controversial weapons as those that indiscriminately kill or disproportionately harm people relative to military necessity (as defined by international humanitarian law). Through normal use, these weapons may kill civilians as well as military targets (including after conflict has ended) – thus their use is prohibited and breaches all global conventions on human rights.

Examples of these weapons are chemical and biological weapons, cluster munitions, antipersonnel landmines, depleted uranium

<sup>7</sup> Colonial First State (2021) FirstChoice Employer Super – Investment Options Menu, <https://www.cfs.com.au/content/dam/prospects/fs/7/3/fs734.pdf?6>, accessed October 2021.

ammunition, non-detectable fragments, incendiary weapons and blinding lasers.<sup>8</sup>

### **Policy Evaluation**

Given the clarification provided by this definition we would expect that the term controversial weapons used in the Responsible Investment Policy and the PDS would include nuclear weapons. This is particularly the case given they are now illegal under international law. This may be misleading for fund members.

### **HOLDINGS: WHAT THEY DO**

Colonial First State discloses the value of all its holdings.<sup>9</sup>

It holds close to \$30 million in 18 nuclear weapons producers through the 59 investment funds used by its FirstChoice Employer Super, representing 0.19% of all assets held. The amount for the MySuper Lifestage product is \$23.5 million. This represents

<sup>8</sup> Colonial First State Responsible Investment <https://www.cfs.com.au/about-us/corporate-profile/responsible-investment/active-ownership.html#exclusions> Accessed 3rd December 2021

<sup>9</sup> Colonial First State (2021) FirstChoice Employer Super – Investments and categories, <https://www.cfs.com.au/personal/resources/funds-and-performance/portfolio-holdings/investment-options.html?prodid=8>, accessed October 2021.

0.2% of the MySuper holdings. The investments were in both equity and debt securities.

The amount invested in the 18 nuclear weapons producers by the MySuper option is listed in Table 1, as at 30 June 2021. The holdings for each sub-option according to year of birth and holdings for all 59 funds offered by Colonial First State can be viewed at <https://quitnukes.org/2021-report-additional-data/>

Company	Value held AUD
Airbus	1,788,680
BAE Systems	1,153,370
Boeing	5,330,021
BWX Technologies	374,719
Fluor	370,883
Honeywell International	4,408,414
Huntington Ingalls Industries	807,421
Jacobs Engineering	1,162,112
L3Harris Technologies	945,270
Larsen & Toubro	512,399
Leidos Holdings	249,172
Leonardo	654,950
Lockheed Martin	3,136,305
Raytheon	786,747
Safran	1,097,663
Serco <sup>1</sup>	160,831
Textron	261,279
Thales	336,915
<b>TOTAL</b>	<b>23,537,151</b>

Table 1 CFS nuclear weapons financing

Nuclear weapons producers	
<hr/>	AUD 23,537,151
Estimated option total assets	
<hr/>	AUD 11,900,648,235
Estimated share invested in nuclear weapons producers	
<hr/>	0.19%

<sup>1</sup> As of June 2021, Serco is no longer contracted for the UK Atomic Weapons Establishment. See page 33.

# COMMONWEALTH SUPERANNUATION CORPORATION

## RECOMMENDATIONS

**Extend the divestment policy on controversial weapons to also exclude nuclear weapons, with a 0% revenue threshold.**

**Publish full details of its holdings, including proxy voting records.**

**Divest from all current nuclear weapons holdings.**

**Commonwealth Superannuation Corporation (CSC) is a corporate Commonwealth entity that provides superannuation services to Australian Government employees and employers and Australian Defence Force members and their families.**

**As of 30 June 2020, CSC had about \$44 billion in funds under management in its Default, Balanced and MySuper Balanced scheme options.<sup>1</sup>**

## POLICIES: WHAT THEY SAY

### Website

The CSC group of super funds adheres to the following policy on divestment and exclusions:

*We use divestment only when engagement with companies cannot reduce the risks to*

<sup>1</sup> CSC (2021) Annual report 2019–20, p 17, [https://www.csc.gov.au/-/media/Files/Parliamentary-Reports/20201012\\_Annual-Report-2020.pdf](https://www.csc.gov.au/-/media/Files/Parliamentary-Reports/20201012_Annual-Report-2020.pdf), accessed October 2021.

*the long-term viability of the business and/or because the activity is contrary to Australian government regulations, sanctions, treaties or conventions such as tobacco, cluster munitions, or undiversified companies that derive 70% or more of their revenue from thermal coal production/extraction.<sup>2</sup>*

Nuclear weapons are not identified as qualifying for divestment.

The phrasing of this policy suggests that CSC adheres only to international agreements that Australia has signed or ratified.

<sup>2</sup> CSC (2021) Enhancing the quality and sustainability of your retirement savings, <https://www.csc.gov.au/Members/Superannuation/Investment/Investment%20quality%20and%20sustainability>, accessed October 2021

## ESG and Product Disclosure Statement Policy

The Excellence in ESG Engagement section of the website fails to mention controversial weapons.<sup>3</sup>

*We were a founding signatory to the Principles for Responsible Investment—an initiative for global best practice in responsible investment. This membership includes a commitment to explicitly consider ESG issues in our investment policies and practices.*

There is no sustainable or responsible investment policy, or sustainable or responsible investment option for CSC Super.

Product disclosure statements similarly provide no detail on policies or investments in controversial or nuclear weapons.

## Policy Evaluation

Commonwealth Superannuation Corporation does not have an adequate policy on nuclear weapons exclusion.

---

<sup>3</sup> CSC (2021) Excellence in ESG Engagement, <https://www.csc.gov.au/Members/News/2021-03-02-Excellence-in-ESG-engagement>, accessed October 2021.

## HOLDINGS: WHAT THEY DO

CSC discloses its largest international equity holdings for each option. For 'PSSap My-Super Balanced', CSC discloses the largest 100 holdings, accounting for \$1,896 million or 48.1% of the asset class.<sup>4</sup>

One holding disclosed is a nuclear weapons company:

- Airbus (\$17.1 million, 0.4% of asset class)

### Investment in nuclear weapons companies

CSC provides top-level data on its proxy voting, but not company-level records. CSC does not have a self-invest option.

---

<sup>4</sup> Commonwealth Super Corporation (n.d.) Investment disclosure, <https://www.csc.gov.au/Members/Superannuation/Investment-options/Product-dashboard/Investment-disclosure/pssap/>, accessed October 2021.

# HESTA

## RECOMMENDATIONS

**Expand the Sustainable Growth option's 0% threshold nuclear weapons exclusion policy across the entire fund.**

**Fully disclose all holdings.**

**Divest from all current nuclear weapons holdings.**

**The Health Employees Superannuation Trust Australia (HESTA) is a major industry superannuation fund with \$55.1 billion in assets and 890,949 member accounts as of June 2020.<sup>1</sup>**

**The default HESTA MySuper option, Balanced Growth, is the sixth largest MySuper product in Australia by value, managing \$41.2 billion and 732,304 member accounts.<sup>2</sup>**

## **POLICIES: WHAT THEY SAY**

### **Website**

The HESTA investment restrictions and exclusions policy specifically mentions nuclear weapons in isolation from other mentions of controversial weapons.

HESTA's fund-wide policy is as follows:

*We exclude investment in any company that derives more than 5% revenue from the manufacture of whole weapon systems or components developed for exclusive use in nuclear weapons.<sup>3</sup>*

The HESTA Sustainable Growth investment option removes the 5% revenue threshold, to exclude all companies that produce whole weapons systems or components developed for nuclear weapons regardless of what proportion of revenue it contributes. The Sustainable Growth policy on nuclear weapons is commendable but inadequate, as it is only applied to a small portion of their total funds under management.

### **ESG and/or Product Disclosure Statement Policy**

The Responsible Investment Policy<sup>4</sup> does not mention nuclear or controversial weap-

<sup>1</sup> APRA (2021) Annual fund-level superannuation statistics, <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>, accessed October 2021.

<sup>2</sup> APRA (2020) Annual MySuper statistics, <https://www.apra.gov.au/annual-mysuper-statistics>, accessed October 2021.

<sup>3</sup> HESTA (2021) <https://www.hesta.com.au/content/dam/hesta/Documents/Investment-choices.pdf>, accessed October 2021.

<sup>4</sup> HESTA (2020) Responsible Investment Policy, <https://www.hesta.com.au/about-us/hesta-impact/invest-with-purpose.html>, accessed October 2021.

ons. The Product Disclosure Statement<sup>5</sup> does not mention nuclear or controversial weapons.

The investment restrictions and exclusions are captured in the Investment Choices handbook and is incorporated by reference to the Product Disclosure Statement.

### **Policy Evaluation**

Except for the Sustainable Growth option, HESTA does not have an adequate policy on nuclear weapon exclusion.

### **HOLDINGS: WHAT THEY DO**

HESTA publishes the top 20 international holdings for its Accumulation and Income Stream options and top 20 overall holdings for its Sustainable Growth option. Nuclear weapons companies do not appear in these lists.<sup>6</sup>

<sup>5</sup> HESTA (2021) HESTA Super PDS, <https://www.hesta.com.au/members/forms-resources/hesta-product-disclosure-statements.html>, accessed October 2021.

<sup>6</sup> HESTA (2021) Super investment options, "Find out more about investments and holdings", <https://www.hesta.com.au/content/hesta/members/investments/super-investment-options.html>, accessed October 2021.

### **Investment in nuclear weapons companies**

Shareholder voting records indicate that in the 2020/21 financial year, HESTA held shares in:

- Airbus
- BAE Systems
- Boeing
- Honeywell International
- Huntington Ingalls Industries
- Jacobs Engineering
- L3Harris Technologies
- Leidos
- Lockheed Martin
- Northrop Grumman
- Raytheon
- Safran
- Textron
- Thales

HESTA's nuclear weapons exclusion is so narrowly defined that the fund is still invested in at least 14 nuclear companies.



# HOSTPLUS

## RECOMMENDATIONS

**As of November 2021, Hostplus has committed to include nuclear weapons in their definition of controversial weapons, for exclusion across all portfolios with a 0% revenue threshold.**

**They expect their website documentation to reflect this, and to be fully divested of all nuclear weapons companies by the end of January 2022.**

**We recommend Hostplus ensure the updated policies exclude all companies that derive revenue from nuclear weapons with a 0% revenue threshold.**

**Hostplus is an industry super fund, originally aimed at workers in the hospitality and tourism sectors. It has 1.3 million members and \$68 billion in funds under management.<sup>1</sup>**

Just prior to the launch of this report, Hostplus confirmed with Quit Nukes that it has decided to include nuclear weapons in their definition of controversial weapons: 'Our Responsible Investment Policy and our Controversial Weapons Divestment Policy have both been updated and approved by the Board.' Hostplus expects to be fully divested of their holdings in nuclear weapons companies by the end of January 2022.

## POLICIES: WHAT THEY SAY

### Website

While Hostplus stresses their preference for engagement with companies over resorting to exclusions, the fund does have a con-

troversial weapons exclusion policy<sup>2</sup> which applies to all of its investment options:<sup>3</sup>

*However, one exception to this approach [engagement over divestment] relates to companies involved in certain types of Controversial Weapons which are weapons that have one or more of the following characteristics:*

*The weapon is indiscriminate (i.e. there is an increased risk of civilian casualties);*

*The weapon can be classified as a weapon of mass destruction with a single incident resulting in a large number of deaths;*

*The weapon is considered to be excessively injurious (i.e. it causes an inordinate amount of pain and suffering); or*

<sup>1</sup> Hostplus (2021) About Hostplus, <https://hostplus.com.au/super/about-us>, accessed November 2021.

<sup>2</sup> Hostplus (2019) Controversial weapons divestment policy, <https://hostplus.com.au/investment/investment-governance>, accessed November 2021.

<sup>3</sup> Hostplus (2021) Responsible investment policy, <https://hostplus.com.au/investment/investment-governance>, accessed October 2021.

*The weapon may have long term health impacts on the populations in areas where they are used.*

Hostplus further explains that they consider controversial weapons to be those subject to United Nations treaties, and that while it is still possible for Australian superannuation funds to invest in controversial weapons, they actively choose not to due to 'the nature of these weapons and their impact, particularly on civilian populations.'<sup>4</sup>

Under this description, nuclear weapons should be firmly within the scope of Hostplus's exclusion policy.

At the time of research, Hostplus chose to restrict their definition of controversial weapons to cluster munitions, anti-personnel mines, depleted uranium, biological weapons, chemical weapons, blinding laser weapons, non-detectable fragments weapons, and incendiary weapons. This was true even for their Socially Responsible Investment option.<sup>5</sup>

---

<sup>4</sup> Hostplus (2019) Controversial weapons divestment policy

<sup>5</sup> Hostplus (n.d.) Socially Responsible Investment – Balanced option, <https://hostplus.com.au/investment/investment-governance/socially-responsible-investment>, accessed October 2021.

## **ESG and/or Product Disclosure Statement Policy**

Hostplus's responsible investment policy<sup>6</sup> includes controversial weapons for divestment and exclusions, however nuclear weapons were not specified.

It was unclear whether the controversial weapons are divested or excluded. Hostplus's Product Disclosure Statement<sup>7</sup> did not mention nuclear or controversial weapons.

## **HOLDINGS: WHAT THEY DO**

Hostplus discloses their top 100 international share holdings, of which none of the listed companies are nuclear weapons-related.<sup>8</sup>

---

<sup>6</sup> Hostplus (2021) Responsible investment policy, <https://hostplus.com.au/investment/investment-governance>, accessed October 2021.

<sup>7</sup> Hostplus (2021) Product disclosure statement, <https://hostplus.com.au/pds>, accessed October 2021.

<sup>8</sup> Hostplus (2021) Our investment governance, <https://hostplus.com.au/investment/investment-governance>, accessed October 2021.

## **Investment in nuclear weapons companies**

Shareholder proxy voting records revealed that in the financial year 2020/2021, Hostplus invested in:<sup>9</sup>

- BAE Systems
- Huntington Ingalls Industries
- Jacobs Engineering
- L3Harris Technologies
- Leidos
- Raytheon
- Safran
- Thales

---

<sup>9</sup> Hostplus (2021) Our investment governance, <https://hostplus.com.au/investment/investment-governance>, accessed October 2021.

# IOOF HOLDINGS LTD

IOOF Holdings Limited (IOOF) is an established Australian wealth management group providing financial advice, investment, superannuation and trustee services.

This section covers the superannuation products offered by IOOF as well as those recently acquired by IOOF, namely ANZ Smart Choice Super and MLC Wealth.

## POLICIES: WHAT THEY SAY

### 1. ANZ Smart Choice Super

The ownership change of ANZ's superannuation business to IOOF Holdings Limited (IOOF) occurred on 31 January 2020.<sup>1</sup>

Superannuation products that come under this changed ownership are all the ANZ Smart Choice Super products. OnePath Custodians Pty Ltd is the Trustee.

<sup>1</sup> OnePath (n.d.) Change of ownership to IOOF, <http://www.onepath.com.au/change-of-ownership-update.aspx>, accessed November 2021.

### Product Disclosure Statement (PDS)

The PDS is silent on exclusions.

### ESG Risk Management Policy<sup>2</sup>

The IOOF ESG Risk Management Policy states:

*Within OnePath, the Office of the CIO manages all investment portfolios and funds, including the selection and oversight of external investment managers. ANZ Smart Choice is issued by OnePath Custodians Pty Ltd as a default superannuation product under the 'MySuper' regime.*

*OnePath Funds Management Limited (OPFM) is the Responsible Entity of the investment funds into which the ANZ Smart Choice Lifestage fund monies are invested. OPFM engages external fund managers through investment mandates to provide investment services in relation to the investment funds that ANZ Smart Choice invests into. These investments are applied*

<sup>2</sup> IOOF (2020) ESG Risk Management Policy, [https://onepathsuperinvest.com.au/\\_doc/esg-risk-management-policy-rps/](https://onepathsuperinvest.com.au/_doc/esg-risk-management-policy-rps/), accessed November 2021.

## RECOMMENDATIONS

**The Trustees for ANZ Choice Super, MLC Super and IOOF Super products should be made aware of the extent of investment in nuclear weapons producers currently being held by their numerous investment managers so that they are able to assess the risks.**

**The Trustees should assess whether engagement with nuclear weapons producers may yield results, or whether nuclear weapons production is an instance that qualifies for exclusion.**

**Review holdings in nuclear weapons companies.**

**Implement an exclusion policy for controversial weapons to ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold.**

to passively managed index pools across a broad range of defensive and growth asset sectors.

Given the Smart Choice investment pools are managed by replicating index benchmarks, ESG factors are not actively considered in terms of security selection. However, please refer to OnePath's Responsible Investment Position Statement for further information on how the various OnePath entities incorporate ESG risks and opportunities in the portfolios managed on behalf of our customers.

### **ONEPATH Responsible Investment Position Statement<sup>3</sup>**

The ONEPATH Responsible Investment Position Statement states:

*While neither IOOF nor any other of its subsidiaries are signatories to the UN Principles of Responsible Investment (PRI), we endorse and support their objectives.*

#### **Controversial Holdings:**

*We recognise there are a range of views with respect to controversial holdings such as ...*

<sup>3</sup> IOOF (2020) Responsible Investment Position Statement July 2020, [https://onepathsuperinvest.com.au/\\_doc/responsible-investment-statement/](https://onepathsuperinvest.com.au/_doc/responsible-investment-statement/), accessed November 2021.

*weapons. Pensions and Investments currently does not employ a screening approach for these types of investments, rather we require investment managers use a combination of engagement with corporates to effect change, and to have a strong investment thesis on these types of investments.*

*In circumstances where customers may have a preference for specific values-based investments, where possible, we will seek to offer investment options on our managed fund platforms.*

### **APRA Regulated Entity (ARE) Responsible Investment Position Statement, July 2021**

The ARE Responsible Investment Position Statement states:

#### **Controversial Holdings:**

*The AREs recognise there is a range of views with respect to controversial holdings such as gambling, alcohol, tobacco and weapons. The AREs do not currently employ a screening approach to these types of investments, but rather require Managers to use a combination of active engagement with companies to effect change and, to have strong investment thesis on these types of investments.*

*Where particular stocks or industries are assessed to have negative ESG qualities representing long term risk to performance and these ESG issues cannot be mitigated via the RI approaches such as Integration, Active Ownership, or Themed Investing, the ARE Boards may resolve to exclude such companies or industries from certain asset classes.*

*Tobacco Manufacturers are currently listed for preferred exclusion by the AREs in equity, cash, fixed income, alternatives and property portfolios. With respect to related party funds available on the investment menus or through the Products, Tobacco Manufacturers are excluded by IOOF Investment Services Limited and there is an intention to implement this by OnePath Funds Management Limited for its funds.*

## **2. MLC Superannuation**

NAB sold its stake in MLC Wealth to IOOF in 2020. The sale was completed on 31 May 2021, pursuant to APRA's approval.

NULIS Nominees is the Trustee of MLC superannuation fund and outsources super-

annuation business services to MLC Wealth Limited and other services to entities that are part of IOOF.<sup>4</sup>

### **MLC Master Key Super & Pension Fundamentals<sup>5</sup>**

The MLC Master Key Super & Pension Fundamentals page states: 'The MLC investment options aren't promoted as socially responsible or ethical investments.'

### **MLC Responsible Policy<sup>6</sup>**

The MLC Responsible Policy states:

*Exclusions means avoiding exposure to holding certain assets or investments. It involves selling or disposing of shares or other assets in certain investments, usually fund wide.*

*The Trustee may at times review Fund wide exclusions on stocks and/or industries as*

<sup>4</sup> MLC (2021) MLC ownership update, [https://www.mlc.com.au/personal/nav\\_top/about-mlc/about-super-investments/mlc-ownership-update](https://www.mlc.com.au/personal/nav_top/about-mlc/about-super-investments/mlc-ownership-update), accessed November 2021.

<sup>5</sup> MLC (2021) MLC MasterKey Super & Pension Fundamentals, <https://www.mlc.com.au/content/dam/mlc/documents/disclosure/mkspf/mkspf-fund-offer-combo-kit.pdf>, accessed November 2021.

<sup>6</sup> Nulis Nominees (2021) Responsible Investment Policy, <https://www.mlc.com.au/content/dam/mlc/documents/governance/nulis-nominees-esg-risk-management-policy.pdf>, accessed November 2021.

*appropriate and with respect to Trustee's Responsible Investment Position. There are currently no Fund wide exclusions, though future exclusions are to be considered as part of the annual review of the policy.*

### **3. IOOF Holdings LTD**

#### **IOOF Investment Services Ltd (IISL) Responsible Investment Position Statement<sup>7</sup>**

The IISL Responsible Investment Position Statement states:

#### **Controversial Holdings:**

*The IOOF Investment Division recognises there are a range of views with respect to controversial holdings such as gambling, alcohol, tobacco and weapons. We do not currently employ a screening approach to these types of investments, rather we require Managers use a combination of active engagement with corporates to effect change and, to have strong investment thesis on these types of investments.*

*Where particular stocks or industries are assessed to have negative ESG qualities*

<sup>7</sup> IOOF (2021) IISL Responsible Investment Position Statement, <https://ioof-p-001-delivery.sitecorecontenthub.cloud/api/public/content/437502-IOOF-IISL-Responsible-Investment-Position-Statement.pdf?v=1a456383>, accessed November 2021.

*representing long term risk to performance and these ESG issues cannot be mitigated via the RI approaches such as Integration, Active Ownership, or Themed investing, then the IISL Board may agree to exclude such companies or industries from certain asset classes. The following sectors are currently listed for exclusion in IISL IMA's:*

- *Tobacco Manufacturers from equity, cash, fixed income, alternatives and property portfolios.*

### **IOOF Proxy Voting**

The proxy voting summary does not identify individual companies.<sup>8</sup>

### **HOLDINGS: WHAT THEY DO**

ANZ Choice Super, MLC Super and IOOF do not disclose their holdings.

<sup>8</sup> IOOF (2021) Proxy Voting Summary 2021, <https://ioof-p-001-delivery.sitecorecontenthub.cloud/api/public/content/724ae8484cac48079de05117b2e67d74?v=a1850bb8>, accessed November 2021.

## **Nuclear weapons holdings**

Not disclosed for any of ANZ Choice Super, MLC Super and IOOF Super products.

## **POLICY EVALUATION**

OnePath ANZ Smart Choice Super undertakes no screening for nuclear weapons producers and there does not appear to be any plan for doing so in the future.

Although OnePath ANZ Smart Choice Super recognises that customers may have a preference for specific values-based investments, there is no certainty that this will be provided.

MLC Super undertakes no screening for nuclear weapons producers, but exclusions are reviewed annually.

IOOF recognises that there are instances where exclusion applies. This has occurred for tobacco but not for controversial weapons or nuclear weapons.

# LGIASUPER + ENERGY SUPER

## RECOMMENDATIONS

**Clarify and include nuclear weapons in the definition of armaments.**

**Disclose the holdings and voting records for LGIASuper products.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold across all portfolios.**

**Divest from all current nuclear weapons holdings.**

**LGIAsuper is a superannuation fund targeted at Queensland local government employees, although anyone can become a member.**

**In July 2021, it merged with Energy Super, which was a Brisbane-based superannuation fund focused on the energy industry. Energy Super is now the brand for certain products offered by LGIASuper.**

**The merger has created a fund of around \$22 billion, managed on behalf of approximately 120,000 members.<sup>1</sup>**

## POLICIES: WHAT THEY SAY

### Website

The LGIASuper website leads its responsible investing explainer with ESG factors. Its socially responsible options (SR Balanced and SR Australian Shares) are ‘the only op-

<sup>1</sup> LGIASuper (2021) Update on LGIASuper and Energy Super merger plans, [https://www.lgiasuper.com.au/news/update-on-lgiasuper-and-energy-super-merger-plan#:~:text=LGIASuper%20and%20Energy%20Super%20completed,behalf%20of%20approximately%20120%2C000%20members\\*](https://www.lgiasuper.com.au/news/update-on-lgiasuper-and-energy-super-merger-plan#:~:text=LGIASuper%20and%20Energy%20Super%20completed,behalf%20of%20approximately%20120%2C000%20members*), accessed November 2021

tions to take into account socially responsible or ethical criteria.’<sup>2</sup>

The SR Australian Shares option is managed by Pandal Group<sup>3</sup>, with the SR International Shares option being managed by Jana, which invests in the Robeco Global SRI.<sup>4</sup> The criteria are expanded in the product disclosure statement below, but nuclear or controversial weapons are not named specifically on the LGIASuper website.

The management service for LGIASuper’s Socially Responsible International Shares option, Jana, invests in the Robeco Global SRI which uses a passive strategy that specifically excludes controversial weapons.<sup>5</sup>

<sup>2</sup> LGIASuper (n.d.) Investment options, <https://www.lgiasuper.com.au/investments/investment-options>, accessed October 2021.

<sup>3</sup> LGIASuper (n.d.) What is responsible investing? <https://www.lgiasuper.com.au/news/what-is-responsible-investing>, accessed October 2021.

<sup>4</sup> Energy Super (n.d.) Socially responsible, <https://www.energysuper.com.au/managing-your-super/compare-options/what-assets-your-super-is-invested-in/socially-responsible>, accessed October 2021.

<sup>5</sup> JANA (n.d.) Global Equities, <https://jana.com.au/implemented-consulting/global-equities>, accessed October 2021.



The Robeco Exclusion Policy specifically lists nuclear weapons as part of its exclusion of controversial weapons.

Energy Super's website also leads with ESG integration across the 'investment process and investments made' but again, only the socially responsible option excludes weapons:

*Socially responsible investment (SRI) – our SRI option has been reinvigorated, offering a 'values' based offering for members. This product actively removes sectors that are not considered socially responsible (e.g. alcohol, gambling, fossil fuels, weapons, palm oil, tobacco) from its Australian and International Shares.*<sup>6</sup>

### **Product Disclosure Statement Policy**

The LGIAsuper Investment Choice Product Disclosure Statement states:

*LGIAsuper requires investment managers to make share investments that screen out companies or sectors, or support industries, taking into account:*

<sup>6</sup> Energy Super (n.d.) ESG – investing your super for a sustainable future, <https://www.energysuper.com.au/why-join-us/ESG>, accessed October 2021.

*avoiding investments in companies that operate in sectors with recognised high negative social impact, including companies that derive a significant portion of their total revenue from the production or manufacture of alcohol, armaments, gambling, pornography, tobacco and uranium.*<sup>7</sup>

What constitutes a 'significant portion of their total revenue' is undisclosed, and what 'armaments' covers is not explained.

### **Policy Evaluation**

LGIAsuper does not have an adequate policy on nuclear weapon exclusion.

### **HOLDINGS: WHAT THEY DO**

LGIAsuper lists its top 20 share holdings on its website.<sup>8</sup> Nuclear weapons companies do not appear on this list. Holdings specific to the socially responsible investment options are not available.

<sup>7</sup> LGIAsuper (n.d.) Investment choice guide, <https://www.lgiasuper.com.au/-/media/public/files/pds-and-guides/investment-choice-guide.pdf>, accessed October 2021.

<sup>8</sup> LGIAsuper (2020) Investment managers & top holdings, <https://www.lgiasuper.com.au/investments/investment-managers-and-top-holdings>, accessed October 2021.

### **Nuclear weapons holdings**

Energy Super provides a full list of its International Equities, of which \$18.6 million is held in 9 nuclear weapons companies.

The nuclear weapons companies that Energy Super is invested in, with value, are listed in Table 1. This list is corroborated by voting records. Energy Super's socially responsible option does not contain any holdings in nuclear weapons companies.

Textron is also listed among Energy Super's Fixed Interest assets, to a value of \$284,946.51.<sup>9</sup> Together with the International Equity investments, Energy Super has \$18,876,867.51 invested in nuclear weapons companies. Nuclear weapons investments represent just 0.21% of Energy Super's \$9 billion worth of funds under management.

LGIAsuper does not seem to disclose its voting record.<sup>10</sup> Given this, it is not possible to say what kind of exposure LGIAsuper may have to nuclear weapons companies, besides that of Energy Super products.

<sup>9</sup> Energy Super (2021) Fixed Interest assets 2021, <https://www.energysuper.com.au/-/media/energysuper/files/website-fi.pdf>, accessed November 2021.

<sup>10</sup> LGIAsuper (n.d.) Governance, <https://www.lgiasuper.com.au/about-us/governance>, accessed October 2021.

**Table 1. Energy Super nuclear weapons financing**

<b>Company</b>	<b>Value held AUD</b>
<b>BAE Systems</b>	275,610
<b>Honeywell International</b>	1,804,314
<b>Jacobs Engineering</b>	179,268
<b>L3Harris Technologies</b>	14,272,160
<b>Leidos</b>	145,162
<b>Lockheed Martin</b>	1,033,121
<b>Northrop Grumman</b>	577,034
<b>Textron</b>	157,477
<b>Thales</b>	147,775
<b>Total</b>	<b>18,591,921</b>

Nuclear weapons  
producers (total)

---

AUD 18,876,867

Estimated share  
of funds under  
management

---

0.21%

Source: Energy Super (2021) Global Equities 2021, <https://www.energysuper.com.au/-/media/energysuper/files/global-equities-2021.pdf>, accessed November 2021.

# MERCER SUPERANNUATION

**Mercer Superannuation is a retail superannuation fund, offering the MySuper Mercer Smart Path option as well as a number of ready-made and select-your-own investment options, including some socially responsible investment options.**

## **POLICIES: WHAT THEY SAY**

### **Sustainable Investment Policy**

The Sustainable Investment Policy<sup>1</sup> states:

#### *Disclosure:*

*In the interests of transparency for our investors, Mercer will publish on its website its voting results for all companies voted on a six-monthly basis, within 3 calendar months of the end of the six-month period, as required by current industry standards and in line with the standard set by the Financial Services Council. Voting reports, including the use of Super Votes and any contentious or sensitive votes, will be tabled at the relevant Board meetings on a six-monthly basis.*

<sup>1</sup> Mercer (2020) Sustainable Investment Policy, [https://secure.superfacts.com/web/IWfiles/attachments/Form/MST\\_SustainableInvestmentPolicy.pdf](https://secure.superfacts.com/web/IWfiles/attachments/Form/MST_SustainableInvestmentPolicy.pdf), accessed November 2021.

*Mercer will also make available to investors a report on its voting and engagement activity and monitoring processes on at least an annual basis.*

#### *Current exclusions:*

*The following exclusions are currently applied across all Mercer options as a result of decisions supported by MIAL's Investment Exclusions Framework that considers multiple risk, return and reputation criteria for assessing exclusions:*

#### *Controversial weapons:*

*Companies that manufacture whole weapons systems, or delivery platforms, or components that were developed or are significantly modified for exclusive use in cluster munitions, anti-personnel landmines, biological or chemical weapons, as well as companies involved in the production and retailing of automatic and semiautomatic civilian firearms and ammunition.*

*Mercer also offers a number of Socially Responsible funds and investment options, to which additional exclusions apply. These additional exclusions are designed to align with the values of the investors in those options. Examples include excluding compa-*

## **RECOMMENDATIONS**

**Include nuclear weapons in the definition of controversial weapons.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold.**

**Divest from all current nuclear weapons holdings.**

nies involved in adult entertainment, alcohol, fossil fuels, and gambling.

## Sustainable Investment Report 2020<sup>2</sup>

This states:

*Mercer may screen portfolios for sectors, companies, products or activities if:*

- *they are deemed to cause an unacceptable level of harm;*
- *they are guilty of severe breaches of law or commonly accepted behaviour;*
- *they fail to meet the expected ESG standards under the ESG integration approach outlined; and*
- *their viability as an ongoing investment is in question.*

---

<sup>2</sup> Mercer (2020) Sustainable Investment Report, <https://www.mercerfinancialservices.com/content/dam/mercer/attachments/asia-pacific/australia/about-mercer/Mercer-AU-Sustainable-Investment-Report-2020.pdf>, accessed November 2021.

## HOLDINGS: WHAT THEY DO

Mercer discloses the list of securities held, but does not disclose their values.<sup>3</sup>

### Nuclear weapons holdings

Mercer discloses the list of nuclear weapons producers held, but does not disclose their values.

As at 30 December 2020 (no later data available at time of writing), Mercer invested in the following 13 nuclear weapons producers:<sup>4</sup>

- Aerojet Rocketdyne
- Airbus
- BAE Systems
- Boeing
- General Dynamics
- Honeywell International
- Huntington Ingalls Industries
- Jacobs Engineering
- L3Harris Technologies
- Larsen & Toubro

---

<sup>3</sup> Mercer (2020) Mercer Super Smart Path Portfolio Holdings, [https://secure.superfacts.com/web/IWfiles/attachments/Form/MST\\_SmartPath.pdf](https://secure.superfacts.com/web/IWfiles/attachments/Form/MST_SmartPath.pdf), accessed November 2021.

<sup>4</sup> Mercer (2020) Mercer Super Smart Path Portfolio Holdings, [https://secure.superfacts.com/web/IWfiles/attachments/Form/MST\\_SmartPath.pdf](https://secure.superfacts.com/web/IWfiles/attachments/Form/MST_SmartPath.pdf), accessed November 2021.

- Leidos
- Raytheon
- Safran

### Proxy Voting

Mercer disclosed detailed information on its proxy votes undertaken in the past 12 months.<sup>5</sup>

### Policy Evaluation

While Mercer screens for controversial weapons, it does not screen for nuclear weapons for any of its options, because nuclear weapons are not included in their definition of controversial weapons. This applies to the sustainable options as well.

Given Mercer may screen for products that are deemed to cause an unacceptable level of harm, it would be expected that nuclear weapons producers would be screened out, at least for their sustainable options.

---

<sup>5</sup> Mercer (2021) Proxy Voting Records, <https://viewpoint.glasslewis.com/WD/?siteld=Mercer>, accessed November 2021.

# NGS SUPER

## RECOMMENDATIONS

**Include nuclear weapons in the definition of controversial weapons.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold.**

**Update the exclusion policy for clarity.**

**Divest from all current nuclear weapons holdings.**

**NGS Super is an industry super fund, targeted at education and community sectors. It has 115,000 members and \$13.4 billion in funds under management.<sup>1</sup>**

## POLICIES: WHAT THEY SAY

### Website and other promotional material

The Active Ownership Engagement Policy<sup>2</sup> states:

*The Fund has a zero tolerance for stocks within our portfolio that are on our exclusion list which restricts:*

*Holdings in companies whose primary business is in the production and/or manufacture of tobacco, armaments and controversial weapons*

The threshold for 'primary business' is not disclosed, but excluding these companies is considered the highest priority of the active engagement strategy because 'Contractual or legal obligations surround the objective, or present significant short to medium-term risks to the portfolio.'<sup>3</sup>

The internal investments team is responsible for monitoring the exclusions. No detail on what 'controversial' weapons includes is provided.

The Socially Responsible Diversified option has the most explicit policy. Controversial weapons and armaments were included in the list of 'strengthened exclusions' from April 2021.<sup>4</sup> The strengthened exclusions as of October 2021 'exclude companies that derive more than 5% of their revenue from the production or distribution of con-

<sup>1</sup> NGS Super (2021) Combined NGS Super Product Disclosure Statement, <https://www.ngssuper.com.au/files/forms/download/ngs-product-disclosure-statement.pdf>, and NGS Super (2020) Annual trustee report 2020, p 3, <https://www.ngssuper.com.au/about-us/regulatory-disclosures/annual-reports>, accessed November 2021.

<sup>2</sup> NGS Super (2019) Active Ownership Engagement Policy, <https://www.ngssuper.com.au/files/forms/download/active-ownership-engagement-policy.pdf>, accessed October 2021.

<sup>3</sup> NGS Super (2019) Active Ownership Engagement Policy, <https://www.ngssuper.com.au/files/forms/download/active-ownership-engagement-policy.pdf>, accessed October 2021.

<sup>4</sup> NGS Super (2021) Significant Event Notice, [https://www.ngssuper.com.au/files/forms/download/ngs-sen\\_1-mar-2021.pdf](https://www.ngssuper.com.au/files/forms/download/ngs-sen_1-mar-2021.pdf), accessed October 2021.

controversial weapons and armaments.<sup>5</sup> Again, it is unclear whether nuclear weapons are included in the category of controversial weapons.

The Fund Sustainability section of the website<sup>6</sup> focuses on climate and environment policies.

While nuclear power is mentioned by name on the website, nuclear weapons are not.

### **ESG and/or Product Disclosure Statement Policy**

The Responsible Investment Policy states:

*The Trustee places specific ESG conditions on the Fund's investment mandates to: restrict holdings in companies whose primary business is production and/or manufacture of armaments or controversial weapons*

*Generally, this is actioned by excluding companies with the following classifications: MSCI CM\_Smart Weapons; MSCI CM\_Manufacturer; MSCI LM\_Manufacturer; Bloomberg Industry Classification of Defence Primes.*

<sup>5</sup> NGS Super (2021) Investment Guide, <https://www.ngssuper.com.au/files/documents/investment-guide.pdf>, accessed October 2021.

<sup>6</sup> NGS Super (n.d.) Fund Sustainability, <https://www.ngssuper.com.au/investments/fund-sustainability>, accessed October 2021.

*However, this may vary between mandates.<sup>7</sup>*

More detail is needed as to what these classifications include. In addition, these exclusions are only 'generally' actioned.

The Product Disclosure Statement does not mention controversial weapons.<sup>8</sup>

### **HOLDINGS: WHAT THEY DO**

NGS Super fully disclosed its holdings as of 30 June 2021 for its Indexed Growth option.<sup>9</sup> This option revealed holdings in the following nuclear weapons companies:

- Airbus
- BAE Systems
- Boeing
- China National Nuclear Corporation
- General Dynamics
- Honeywell International
- Huntington Ingalls Industries
- Jacobs Engineering Group
- L3Harris Technologies

<sup>7</sup> NGS Super (2021) Responsible Investment Policy, <https://www.ngssuper.com.au/files/forms/download/responsible-investment-policy.pdf>, accessed October 2021.

<sup>8</sup> NGS Super (2021) Product Disclosure Statement, <https://www.ngssuper.com.au/files/documents/ngs-product-disclosure-statement.pdf>, accessed October 2021.

<sup>9</sup> NGS Super (2021) Indexed Growth, Portfolio holdings disclosure, <https://www.ngssuper.com.au/investments/specific-investment-options/indexed-growth>, accessed November 2021.

- Leidos Holdings
- Lockheed Martin
- Northrop Grumman
- Raytheon
- Safran
- Textron
- Thales

NGS Super fully disclosed its holdings as of 31 December 2020 for its Socially Responsible Diversified investment option in a Portfolio Holdings Disclosure. This option contained holdings in the following nuclear weapons companies:

- Boeing

### **Investment in nuclear weapons companies**

Proxy voting records show that since 2020, NGS Super (not limited to the Socially Responsible Investment option) has invested in the following nuclear weapons companies:

- Airbus
- Bharat Dynamics Limited
- Honeywell International
- Larsen & Toubro

NGS states it has zero tolerance for armaments and controversial weapons across all its holdings, but it still does not exclude nuclear weapons.

# QSUPER + SUNSUPER

QSuper and Sunsuper announced a merger in March 2021, which would create a fund with two million members and \$200 billion in funds under management. In June 2021, the executive team of the merged superannuation fund was announced. The merger is set to finalise in the first quarter of 2022.<sup>1</sup>

## POLICIES: WHAT THEY SAY

### Website and other promotional materials

#### - QSuper: Responsible Investment Policy

*QSuper completely excludes investments in some companies from our portfolio:*

*Since 30 June 2015, QSuper has not owned shares in companies involved in manufacturing cigarettes and other tobacco products.*

*Since 1 July 2019, QSuper has not directly invested in companies involved in the manufacturing of cluster bombs and landmines (munitions).*

<sup>1</sup> Correspondence with QSuper (18 November 2021).

*This applies to our entire listed equities portfolio across our investment options: Lifetime, Moderate, Balanced, Aggressive, Australian Shares, and International Shares. The only exception is our Self Invest option, where all socially responsible investment decisions are up to the member.<sup>2</sup>*

#### - Sunsuper: Responsible Investment Policy

Sunsuper has a responsible investing section on its website that discusses ESG issues, and notes human safety as a primary concern.

It notes that 'Entities are excluded when all other options have been exhausted or where there is no conceivable way that activism will yield the desired result, such as tobacco manufacturing.'<sup>3</sup>

<sup>2</sup> QSuper (n.d.) Sustainable investing, <https://qsuper.qld.gov.au/investments/how-qsuper-invests/sustainable-investing>, accessed October 2021.

<sup>3</sup> Sunsuper (n.d.) Responsible Investing, <https://www.sunsuper.com.au/investments/how-we-invest/responsible-investing>, accessed October 2021.

## RECOMMENDATIONS

**Include nuclear weapons in the definition of controversial weapons, and expand the exclusion to all portfolios. This should also apply to self-invest options.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold.**

**Update exclusion policy for clarity.**

**Divest from all current nuclear weapons holdings.**



The Responsible Investment Report 2020-21 does not mention nuclear or controversial weapons.<sup>4</sup>

Sunsuper has a Socially Conscious Balanced investment option which excludes companies that derive more than 5% of their revenue from controversial weapons.<sup>5</sup>

### **- QSuper: ESG and/or Product Disclosure Statement Policies**

A Sustainable Investment/ESG policy, while mentioned in QSuper's investment strategy document, does not appear to be publicly available.

The investment strategy document reads:

*In combination [with an expansion of climate change and corporate governance priorities], it is envisaged that QSuper's SI program, when mature, will reflect QSuper's position as a large and influential, universal owner. This will mean:*

<sup>4</sup> Sunsuper (2021) Responsible Investment Report 2020-21, <https://www.sunsuper.com.au/investments/how-we-invest/socially-conscious-balanced>, accessed October 2021.

<sup>5</sup> Sunsuper (n.d.) Ethical Investing, <https://www.sunsuper.com.au/investments/how-we-invest/socially-conscious-balanced>, accessed October 2021.

*a comprehensive SI Policy documenting the Board's objectives, principles, risk preferences and priorities;*

*best practice ESG governance commensurate with that Policy;*

*completion of a significant debate on a fundamental investment case and integration of the investment case across all assets, portfolios and investment Options with measured impacts on returns and risk;*

*a stewardship program whose activity ensures QSuper's influence as a large global investor is considered by stakeholders on material issues; and*

*an expanded SI team that is well-regarded and presents as a strong informed voice in industry debate.*

*In aggregate, the SI program will ensure QSuper effectively manages ESG issues that are material to its global investment portfolios in a form that accords with member expectations, fiduciary duty and regulatory direction.<sup>6</sup>*

Interestingly, the investment strategy mentions 'the threat of North Korea's nuclear

<sup>6</sup> QSuper (2019) Investment Strategy, <https://qsu-per.qld.gov.au/investments/how-qsu-per-invests/investment-strategy-philosophy>, accessed October 2021.

weapons ambitions' in regard to 'systemic re-rating of inflation and consequently steadily falling interest rates', but used this to lead into the importance of a diversified investment portfolio, not a nuclear weapons exclusion.

QSuper's Socially Responsible Investment option shares a product disclosure statement with the other options, split depending on whether it is self managed.<sup>7</sup> The product disclosure statement does not offer more information than the website.

QSuper's Self Invest Option gives members the choice of Australian Shares, Term Deposits and ETFs to invest in. There are ETFs for the various sectors such as Australian Shares, International Shares, property, etc. For International Shares, QSuper provides 36 ETFs to choose from.<sup>8</sup>

### **- Sunsuper: ESG and/or Product Disclosure Statement Policies**

Sunsuper's ESG Policy states:

<sup>7</sup> QSuper (2021) Product Disclosure Statements, <https://qsu-per.qld.gov.au/calculators-and-forms/publications/product-disclosure-statements>, accessed October 2021.

<sup>8</sup> QSuper (2021) Exchange-traded funds (ETFs) in Self Invest, <https://qsu-per.qld.gov.au/investments/options/self-invest/exchange-traded-funds>, accessed October 2021.

*Sunsuper prefers to use activism or engagement to exert influence on investments rather than exclusion, as exclusions limit the investable universe in which Sunsuper operates. For investments in which Sunsuper has no direct influence, such as in pooled vehicles, Sunsuper considers the likelihood and extent to which the fund may be exposed to excluded securities into the investment decision and regularly monitors such investments.*<sup>9</sup>

Cluster munitions and landmines are described under this exclusion policy, but nuclear or other controversial weapons are not. However, Sunsuper's Investment Guide states:

*Managers [of the Socially Responsible Investment option] are also required to avoid companies with material exposure to the production or manufacture of nuclear and controversial armaments... a company deriving more than 5% of its revenue from these industries constitutes material exposure.*<sup>10</sup>

## Policy Evaluation

Neither QSuper nor Sunsuper have an adequate policy to exclude nuclear weapons from the investment portfolio.

<sup>9</sup> Sunsuper (2020) ESG Policy, <https://www.sunsuper.com.au/investments/how-we-invest/responsible-investing>, accessed October 2021.

<sup>10</sup> Sunsuper (2021) Sunsuper for Life Investment Guide, <https://www.sunsuper.com.au/pds-guides>, accessed October 2021.

## HOLDINGS: WHAT THEY DO

QSuper only discloses its holdings for the socially responsible investment option.<sup>11</sup> It also discloses its top 10 holdings for other options.<sup>12</sup> Full proxy voting records are also available.

Sunsuper only discloses its holdings for the Socially Conscious Balanced option<sup>13</sup> and lists its top ten holdings for each of its asset options<sup>14</sup> in the quarterly report. Only the most recent Quarter (Quarter ended June 2021) was available on the website.

### Nuclear weapons holdings

There is no investment in nuclear weapons companies for QSuper's Socially Responsible Investment option.<sup>15</sup>

There is also no investment in nuclear

<sup>11</sup> QSuper (2021) Socially Responsible Shareholdings, <https://qsuper.qld.gov.au/investments/options/socially-responsible/shareholdings>, accessed October 2021.

<sup>12</sup> See for example QSuper (2021) Lifetime outlook, <https://qsuper.qld.gov.au/investments/options/lifetime/outlook>, accessed November 2021.

<sup>13</sup> Sunsuper (2021) Asset Holdings, <https://www.sunsuper.com.au/investments/how-we-invest/socially-conscious-balanced>, accessed October 2021.

<sup>14</sup> Sunsuper (2021) Quarterly Investment Report, <https://www.sunsuper.com.au/investments/performance/reports>, accessed October 2021.

<sup>15</sup> QSuper (2021) Socially Responsible Shareholdings, <https://qsuper.qld.gov.au/investments/options/socially-responsible/shareholdings>, accessed October 2021.

weapons companies for Sunsuper's Socially Conscious Balanced option, or in the most recent quarterly investment report.

Outside the Socially Responsible Investment Option, proxy voting records show that QSuper invested in the following nuclear weapons companies in the financial year 2020/2021:<sup>16</sup>

- Airbus
- BAE Systems
- General Dynamics
- Honeywell International
- Huntington Ingalls Industries
- Jacobs Engineering
- L3Harris Technologies
- Leidos
- Northrop Grumman
- Raytheon
- Safran
- Textron
- Thales

This list was confirmed in correspondence with QSuper.<sup>17</sup>

<sup>16</sup> QSuper (2021) Proxy voting record history, <https://qsuper.qld.gov.au/about/disclosure/proxy-voting/proxy-voting-record-history>, accessed October 2021.

<sup>17</sup> Correspondence with QSuper (18 November 2021).

# REST

## RECOMMENDATIONS

**Include nuclear weapons in the definition of controversial weapons, thereby excluding them from the whole fund.**

**Explain why some nuclear weapons companies appear in the proxy voting record but not the overseas shares record.**

**Divest from all current nuclear weapons holdings.**

**Retail Employees Superannuation Trust (Rest) is a major industry superannuation fund, with the second largest number of member accounts after AustralianSuper. Rest has \$56 billion in assets and 1.85 million member accounts as of June 2020.<sup>1</sup>**

**Rest offers a default MySuper product, the Core Strategy option, which holds \$46.2 billion.<sup>2</sup>**

## POLICIES: WHAT THEY SAY

### Website

The sustainability section of Rest's website says that the fund has excluded investments in controversial weapons from August 2018.<sup>3</sup>

<sup>1</sup> APRA (2021) Annual fund-level superannuation statistics June 2020, <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>, accessed October 2021.

<sup>2</sup> APRA (2020) Annual MySuper statistics, <https://www.apra.gov.au/annual-mysuper-statistics>, accessed October 2021.

<sup>3</sup> Rest (n.d.) Sustainability, <https://rest.com.au/why-rest/about-rest/sustainability>, accessed October 2021.

This is also true for the Sustainable Growth investment option.<sup>4</sup>

### Product Disclosure Statement Policy

Rest's Responsible Investment Policy excludes certain companies or sectors from the entirety of Rest's holdings, focusing on tobacco and companies 'directly involved' (i.e. specifically for the following types of weapons and their key components) with the production of controversial weapons. However, Rest does not include nuclear weapons as controversial weapons.

*Rest will not invest in companies directly involved in the manufacture of controversial weapons, specifically, cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons or their key parts. For indirect holdings where the Trustee does not maintain the same degree of control, such as derivatives, pooled united trusts and structures like collateralised debt securities or exchange traded funds, these exclusions may not apply to these investments. We expect our investment managers to adhere*

<sup>4</sup> Rest (2021) Ethical Super Investment, <https://rest.com.au/why-rest/ethical-super>, accessed October 2021.

to our exclusions and we will monitor their actions<sup>5</sup>.

## Policy Evaluation

Rest's website states that controversial weapons are excluded from the whole fund, which could give a false impression that nuclear weapons are excluded.

Rest relies on MSCI screens for controversial weapons, which do not include nuclear weapons.

Rest does not have an adequate policy on nuclear weapon exclusion.

## HOLDINGS: WHAT THEY DO

Rest lists all of their overseas share holdings and provides both the monetary value of the holdings and the percentage of the portfolio in each instance.

<sup>5</sup> Rest (2021) Responsible Investment Policy, p 5, [https://cdn.rest.com.au/rest\\_web/media/documents/why-rest/about-rest/corporate-governance/responsible-investment-policy.pdf](https://cdn.rest.com.au/rest_web/media/documents/why-rest/about-rest/corporate-governance/responsible-investment-policy.pdf), accessed October 2021.

## Investment in nuclear weapons companies

The holdings disclosure and shareholder voting records demonstrate investments in nuclear weapons companies listed in Table 1.<sup>6</sup>

Further, Rest Super has confirmed 'as at 30 June 2021, Rest's other options held 11 of the companies listed on the Quit Nukes website.'<sup>7</sup> This is a greater number of companies than the research revealed.

<sup>6</sup> Rest (2021) How we invest – Super – Overseas Shares, [https://cdn.rest.com.au/rest\\_web/media/documents/investments/super-investment-option/overseas-shares.pdf](https://cdn.rest.com.au/rest_web/media/documents/investments/super-investment-option/overseas-shares.pdf), accessed October 2021; Rest (2021) Rest – Proxy Voting Behaviours, [https://cdn.rest.com.au/rest\\_web/media/documents/why-rest/about-rest/corporate-governance/proxy-record.pdf](https://cdn.rest.com.au/rest_web/media/documents/why-rest/about-rest/corporate-governance/proxy-record.pdf), accessed November 2021.

<sup>7</sup> Correspondence with Rest (22 November 2021).

Table 1 REST nuclear weapons financing

Company	Value held AUD
Airbus	Unknown
BWX Technologies	Unknown
Fluor	Unknown
Honeywell International	790,042
L3Harris Technologies	511,298
Raytheon	34,447
Safran	Unknown
Thales	179,503

# TELSTRASUPER

TelstraSuper is a fund available to employees and former employees of Telstra Group. It has around \$23 billion in funds under management.<sup>1</sup>

## POLICIES: WHAT THEY SAY

### Website

TelstraSuper's website says that it has 'decided to divest from (or negative screen) companies involved in tobacco manufacturing and controversial weapons, specifically those identified as being involved in manufacturing cluster munitions and landmines.'<sup>2</sup>

TelstraSuper does not appear to have a dedicated ethical investment option.

### ESG policy and Product Disclosure Statement

TelstraSuper's sustainable investment policy does not provide comprehensive

detail on how their ESG policy is implemented, with limited detail regarding negative screens and exclusion categories.

*The TelstraSuper Board may determine that certain assets, industries or activities with undesirable ESG or ethical credentials are to be excluded from its investment portfolio where the exclusion is aligned with the investment mission of the fund, is implemented in a rigorously defined manner, and is not expected to have a material detriment on risk-adjusted long term investment returns for the portfolio. The Board has made three such determinations - in relation to:*

- 1. manufacturers of tobacco and like products or devices that facilitate smoking and vaping;*
- 2. manufacturers of controversial weapons; and;*
- 3. primary-focus thermal coal producers, where the majority of company or group earnings are derived from thermal coal duction.<sup>3</sup>*

## RECOMMENDATIONS

**Update the definition of controversial weapons to include nuclear weapons.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold.**

**Adopt passive investment ETF policies and investment mandates to select options that exclude nuclear weapons.**

**Divest from all current nuclear weapons holdings.**

<sup>1</sup> TelstraSuper (n.d.) About us, <https://www.telstrasuper.com.au/about-us>, accessed October 2021.

<sup>2</sup> TelstraSuper (n.d.) Collaborating to get better outcomes, <https://www.telstrasuper.com.au/investments/sustainable-investment/collaborating-to-get-better-outcomes>, accessed October 2021.

<sup>3</sup> TelstraSuper (2021) Sustainable Investment Policy, p 3, <https://www.telstrasuper.com.au/investments/sustainable-investment/collaborating-to-get-better-outcomes>, accessed October 2021.

Specifically, TelstraSuper states that their definition of controversial weapons is landmines and cluster munitions, with no mention of nuclear weapons or other controversial weapons.<sup>4</sup>

TelstraSuper's Product Disclosure Statement specifies that it excludes 'certain controversial weapons like cluster munitions and landmines' and points customers to its sustainable investment policy.<sup>5</sup>

### Policy Evaluation

While controversial weapons are excluded from most of the portfolio, it seems that only landmine and cluster munition manufacturers are excluded.

Investments in nuclear weapons companies are permitted, and passive investments can still include controversial weapons.

### HOLDINGS: WHAT THEY DO

TelstraSuper does not fully disclose its holdings. The latest disclosure of interna-

---

4 TelstraSuper (2021) Collaborating to get better outcomes, <https://www.telstrasuper.com.au/investments/sustainable-investment/collaborating-to-get-better-outcomes>, accessed October 2021.

5 TelstraSuper (2021) Investment guide, p 25, <https://www.telstrasuper.com.au/information-hub/product-disclosure-statements-and-guides>, accessed October 2021.

tional holdings found was from 30 April 2020, which only showed the top 10 in the International Shares investment option.<sup>6</sup> No nuclear weapons companies appeared in that list.

### Nuclear weapons holdings

Examination of shareholder voting records show that the Telstra held shares in the following 12 nuclear weapons companies in the financial year 2020/2021:<sup>7</sup>

- Airbus
- BAE Systems
- Honeywell International
- Huntington Ingalls Industries
- Jacobs Engineering
- L3Harris Technologies
- Larsen & Toubro
- Leidos
- Raytheon
- Safran
- Textron
- Thales

---

6 TelstraSuper (2021) Does TelstraSuper invest in large global companies such as Microsoft, Visa and Google? <https://www.telstrasuper.com.au/information-hub/videos/cio-questions---q1>, accessed October 2021.

7 TelstraSuper (2021) Investment Proxy Voting, <https://www.telstrasuper.com.au/campaigns/investment-proxy-voting>, accessed October 2021.

# UNISUPER

## RECOMMENDATIONS

Ensure all companies that derive revenue from nuclear weapons are excluded across the whole portfolio, with a 0% revenue threshold.

Update the responsible investing policy for clarity, and provide more precise information about investment mandates and implementation.

Divest from all current nuclear weapons holdings.

UniSuper was originally for employees in Australia's tertiary sector, but is now open to all Australians. It has over 450,000 members and \$100 billion in funds under management.<sup>1</sup>

## POLICIES: WHAT THEY SAY

### Website

UniSuper only has a fund-wide exclusion on tobacco and certain thermal coal companies.<sup>2</sup> Three 'sustainable' options further exclude fossil fuel exploration and production, alcohol, gambling and weapons.<sup>3</sup>

UniSuper explains how it excludes weapons from its sustainable options:

*We exclude companies considered 'aerospace and defence' by the GICS. We then use specialist third-party ESG research to*

<sup>1</sup> UniSuper (n.d.) Who we are, <https://www.unisuper.com.au/about-us/who-we-are>, accessed October 2021.

<sup>2</sup> UniSuper (2021) How we invest your money, p 24, <https://www.unisuper.com.au/-/media/files/pds/ibr/how-we-invest-your-money.pdf>, accessed October 2021.

<sup>3</sup> UniSuper (n.d.) Responsible and sustainable investing, <https://www.unisuper.com.au/investments/how-we-invest/responsible-and-sustainable-investing>, accessed October 2021.

*identify any company that has any revenue exposure to weapons.*

*If a company has less than 0.5% of total group revenue associated with weapons, we consider the nature of the exposure on a case-by-case basis and decide whether to exclude it. For example, we may invest in a company that produces glass instrument screens but not one that produces explosive materials.<sup>4</sup>*

## ESG policy and Product Disclosure Statement

UniSuper's guide on 'How we invest your money' is incorporated into its Product Disclosure Statement. The document says the following external sources are considered when determining exposure to sectors excluded in UniSuper's sustainable options:

*- the classification of stocks into such sectors by third party benchmark (index) providers,*

<sup>4</sup> UniSuper (n.d.) Our sustainable and environmental options, <https://www.unisuper.com.au/investments/how-we-invest/responsible-and-sustainable-investing/our-sustainable-and-environmental-options>, accessed October 2021.



- the classification of stocks into such sectors by recognised global classification standards,  
- assessment by specialist ESG research providers that stocks have material exposure to such sectors, and  
- assessment by specialist investment managers that stocks have material exposure to such sectors.<sup>5</sup>

UniSuper's responsible investment and proxy voting policy does not provide comprehensive detail on how their ESG policy is implemented, with limited details regarding negative screens and exclusion categories.

UniSuper states that they 'routinely analyse UniSuper's investment options to understand what ESG risks might be present Risks that we identify include human rights, environmental issues or exposure to controversial weapons'.<sup>6</sup> Further details were not provided.

In a recent responsible investment report covering January to June 2021, UniSuper commented:

<sup>5</sup> UniSuper (2021) How we invest your money, p 25, <https://www.unisuper.com.au/-/media/files/pds/ibr/how-we-invest-your-money.pdf>, accessed October 2021.

<sup>6</sup> UniSuper (n.d.) Responsible investment and proxy voting policy, p 2, <https://www.unisuper.com.au/-/media/files/investments/responsible-investing/responsible-investment-and-proxy-voting-policy.pdf>, accessed October 2021.

*We reviewed our holdings and options with respect to climate risks, weapons, ESG ratings, controversies and exposure to Sustainable Development Goals (SDG) themes. We addressed ad hoc member queries and NGO activism – relating to climate change issues, Juukan Gorge and nuclear weapons.*

Further details on how those queries were addressed or what options relating to weapons were considered were not provided.

### **Policy Evaluation**

UniSuper's materials and policies are very opaque when it comes to implementation. 'Assessment' does not equal implementation of ESG principles.

UniSuper's weapons screen is limited to its sustainable options, and very little detail is provided about how it is implemented.

UniSuper says that it has reviewed its holdings and options with respect to weapons and addressed members' queries about nuclear weapons, but without details.

### **HOLDINGS: WHAT THEY DO**

UniSuper only discloses their top 20 international share holdings, in which no nuclear

weapons companies appear.<sup>7</sup> They disclose holdings for their three sustainable/environmental options, in which no nuclear weapons companies appear.<sup>8</sup>

### **Nuclear weapons holdings**

UniSuper provides a list of shareholder voting records, from which the following companies were identified during the 2020/21 financial year:<sup>9</sup>

- Airbus
- Boeing
- General Dynamics
- Honeywell International
- Lockheed Martin
- Northrop Grumman
- Raytheon

<sup>7</sup> UniSuper (2021) Major holdings, <https://www.unisuper.com.au/investments/how-we-invest/holdings-returns-and-costs/major-holdings>, accessed October 2021.

<sup>8</sup> Responsible Returns (2021) UniSuper, <https://www.responsiblereturns.com.au/investment-managers/unisuper/profile>, accessed November 2021.

<sup>9</sup> UniSuper (2021) Responsible investment reports, <https://www.unisuper.com.au/-/media/files/investments/responsible-investing/responsible-investing-reports/responsible-investment-report-jan-june-2021.pdf>, <https://www.unisuper.com.au/-/media/files/investments/responsible-investing/responsible-investing-reports/responsible-investment-report-jul-dec-2020.pdf>, accessed October 2021.

# VISION SUPER

## POLICIES: WHAT THEY SAY

### Website

*Vision Super only divests from products where we don't believe engagement can reduce harm, or where we believe there is a long-term risk to our members' money. In general, we believe corporate engagement is more effective in improving the way companies operate, reducing the environmental impact and increasing transparency. Vision Super is currently divested from ... Controversial Weapons.<sup>1</sup>*

### Controversial Weapons

*Controversial weapons are ones that can have a severe impact on civilians, and are generally banned under international treaties. Land mines, cluster bombs and nuclear weapons are deemed to be particularly controversial because of their indiscriminate impacts on civilians and the disproportionate harm they cause in the case of land mines for many years after a conflict has ended.*

<sup>1</sup> Vision Super (2020) Divestments, <https://www.visionsuper.com.au/invest/sustainability/divestments/>, accessed September 2021.

*Despite being widely considered to be controversial and often prohibited by international treaties, these weapons are still produced in some parts of the world. Vision Super avoids investing in any companies directly involved in the production or sale of these controversial weapons. We do not believe their harm can be reduced through engagement.<sup>2</sup>*

### Restricted Securities

Vision Super excludes and lists 18 of the 25 nuclear weapons producing companies.

*However, we do divest where we don't believe that engagement can make a difference and where we think there is a material pricing risk. In addition to thermal coal and tar sands, Vision Super does not invest in controversial weapons such as nuclear bombs and cluster mines, or in tobacco. No amount of engagement will make cluster mines any less likely to kill civilians, or make a tobacco company's products any less likely to kill their customers.*

<sup>2</sup> Vision Super (2020) Divestments, <https://www.visionsuper.com.au/invest/sustainability/divestments/>, accessed September 2021.

## RECOMMENDATIONS

**Divest from all current nuclear weapons holdings.**

**Ensure all companies that derive revenue from nuclear weapons are excluded with a 0% revenue threshold.**

**Update the exclusion policy for clarity.**

When determining which companies we won't invest in, we set a materiality threshold at 25% of revenue with a 5% buffer.<sup>3</sup>

## **ESG policy and Product Disclosure Statement**

### **ESG Policy Appendix – Excluded Investment Categories**

In determining companies not eligible for investment:

- The materiality threshold is set at 25% of revenues

- A buffer zone of +/- 5% is set so that investments close to the materiality threshold do not move between eligibility and ineligibility on a frequent basis. For the avoidance of doubt, an investment classified as being ineligible would need revenues from excluded categories to fall below 20% of total revenues to be considered eligible. An investment classified as eligible would require revenues from excluded categories to increase to in excess of 30% of total revenues to be considered ineligible.

*First round of divestments:  
The Board has determined that Vision Super*

<sup>3</sup> Vision Super (2020) Divestment - a complex matter, <https://www.visionsuper.com.au/divestment-a-complex-matter/>, accessed September 2021.

will not invest in the following categories of investment where such investments are directly held:

- Companies that derive material revenue from controversial weapons - which includes companies that are involved in the manufacture and/or production of controversial weapons, land mines, cluster bombs, nuclear weapons or similar.<sup>4</sup>

### **Product Disclosure Statement (PDS) Additional Guide No 5**

We have determined that we will not invest in companies that derive material revenue from the manufacture or production of controversial weapons such as land mines, cluster bombs or nuclear weapons. We will also not invest in companies that derive material revenue from the mining of thermal coal, tar sands or tobacco manufacturers, and we aim to minimise exposure to oil and gas companies subject to diversification requirements.<sup>5</sup>

<sup>4</sup> Vision Super (2021) Environmental, social and governance policy, <https://www.visionsuper.com.au/wp-content/uploads/2021/07/ESG-Policy-2021-v4.pdf>, accessed September 2021.

<sup>5</sup> Vision Super (2021) PDS Additional Guide No. 5: How we invest your money, <https://www.visionsuper.com.au/wp-content/uploads/2020/10/5-How-we-invest-your-money.pdf>, accessed September 2021.

## **Policy Evaluation**

Anyone reading Vision Super's website could easily conclude that Vision does not invest in nuclear weapons producers.

Although Vision is explicit about its materiality threshold of 25%, a reader must delve deeper into the website to discover it in the ESG policy or the 'divestment' page.

The ESG policy is silent on Passive Investments. It only refers to investments 'directly held'.

The PDS does not provide the meaning of 'material revenue'. We note that the PDS makes reference to the ESG Policy which provides the meaning of 'materiality threshold'.

The list of Restricted Securities omits seven nuclear weapons producers.

## HOLDINGS: WHAT THEY DO

Vision Super only discloses its top 20 holdings, which do not include any nuclear weapons companies for international equities as at 30 June 2021.<sup>6</sup>

The summary of proxy voting for the financial year 2020/2021 includes the following nuclear weapons companies:<sup>7</sup>

- L3Harris Technologies (April 2021)
- Raytheon (April 2021)
- Safran (May 2021)
- Thales (April 2021)

---

<sup>6</sup> Vision Super (2021) Top stock holdings, <https://www.visionsuper.com.au/invest/top-stock-holdings/>, accessed September 2021.

<sup>7</sup> Vision Super (2021) International voting statistics, <https://www.visionsuper.com.au/invest/active-ownership/>, accessed September 2021.