

From Values to Riches 2022: Charting consumer demand for responsible investing in Australia



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Thank you

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Australian Ethical is Australia's original and leading ethical investment company. We were founded in 1986 on one simple insight – that the power of financial markets could be harnessed to bring about social change. Three decades later and we remain committed to investing for a better world.

Today we manage more than \$6.94 billion as at 31 December 2021 through a range of award-winning investment products that make a positive impact while delivering competitive returns for our customers.

TEACHERS MUTUAL BANK LIMITED

Teachers Mutual Bank Limited is one of the largest customer owned banks in Australia, with over 220,000 Members and \$10 billion in assets. Our purpose is providing banking for good, for those who do good. The Bank became a Certified B Corporation (B Corp) in January 2022. B Corps are global leaders in using business as a force for good.

We serve Australians working in education, emergency services, health care and universities through five divisions: Teachers Mutual Bank, Firefighters Mutual Bank, Health Professionals Bank, UniBank and digital bank Hiver. Our members contribute so much to society and they deserve a bank that makes a positive social impact.

B Corp builds on our socially responsible banking credentials, such as being:

- named as One of the World's Most Ethical Companies for eight years in a row;
- the only bank named as a Responsible Investment Leader by RIAA;
- the only bank in Australia to have all wholesale investments and retail mortgages and deposits certified as Responsible Investments by RIAA, reaching \$8.3 billion in FY 2021; and
- the first bank to join the IGCC-led Climate League 2030, an initiative to cut Australia's emissions by 45% in line with the Paris Agreement.

About this report

From Values to Riches 2022: Charting consumer demand for responsible investing in Australia is the fifth research report published by the Responsible Investment Association Australasia (RIAA) that gauges consumer awareness, practices, and attitudes towards ethical and responsible investments in Australia. This research has been run since 2017 and results were published in 2017, 2018, 2019, and 2020. For this year's report, data was collected through an online survey between 14 and 23 January 2022. The survey was designed and analysed by Lonergan Research, in accordance with the ISO 20252 standard, together with RIAA.

A total of 1,097 Australians aged 18 and over were surveyed. The sample was gender balanced (see Figure 1), with survey participants representing all states and territories (see Figure 2). Respondents were divided into four generational categories based on age: 'Baby boomers' (aged 60 and above), 'Generation X' (aged 40-59), 'Millennials' (aged 25-39) and 'Generation Z' (aged 18-24) (Figure 3). Data was weighted to the latest population estimates (i.e. 2016 census) by Lonergan, sourced from the Australian Bureau of Statistics.

This research was led by Dr. Zsuzsa Banhalmi-Zakar and Carly Hammond, with contributions from Estelle Parker and Katie Braid. The report was designed by Loupe Studio.

ABOUT THE RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA

The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

With over 450 members managing more than AU\$40 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Our

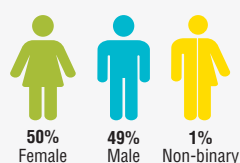
membership includes super funds, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals. RIAA achieves its mission through:

- providing a strong voice for responsible investors in the region, including influencing policy and regulation to support long-term responsible investment and sustainable capital markets;
- delivering tools for investors and consumers to better understand and navigate towards responsible investment products and advice, including running the world's first and longest running fund Certification Program, and the online consumer tool Responsible Returns;
- supporting continuous improvement in responsible investment practice among members and the broader industry through education, benchmarking and promotion of best practice and innovation;
- acting as a hub for our members, the broader industry and stakeholders to build capacity, knowledge and collective impact; and
- being a trusted source of information about responsible investment.

ABOUT LONERGAN

Lonergan Research is an independent strategic research consultancy, founded in 2009, that combines a wide range of disciplines and approaches to solve complex business challenges. Lonergan Research is methodologically neutral, offering the best tools to meet specific research needs, believing that the value of research lies in insights, not data. Its work encompasses qualitative, quantitative, big data/data science, fieldwork and mystery shopping.

FIGURE 1 Proportion of female, male and non-binary respondents in the sample



NOTE: Due to the low number of non-binary respondents, gender-based analysis in this report only includes female/male comparison.

FIGURE 2 Residence of respondents in the sample by state, capital city versus regional areas

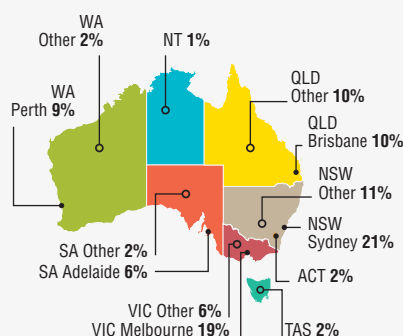
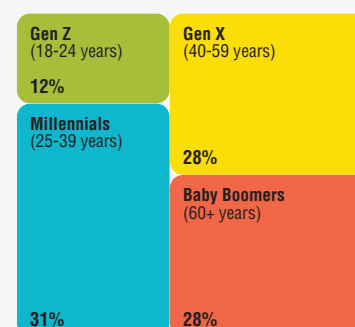


FIGURE 3 Age bracket (generation) of respondents in the sample



Executive summary

From Values to Riches 2022: Charting consumer demand for responsible investing in Australia charts a generational shift towards responsible investment in Australia and should prompt the industry to question its readiness to capitalise on this demand. Responsible and ethical investing is fast gaining prominence in Australia. Australians want their savings to do well by doing good. And they expect their service providers to invest in line with their ethics.

More than two-thirds of Australians have now heard of responsible investing, up from 50% in 2020. Negative experiences such as the COVID-19 pandemic, the destruction of Indigenous cultural heritage and extreme weather events have fuelled this awareness.

Expectations of providers are high and Australians are overwhelmingly concerned about where their money goes. Four out of five Australians (83%) expect their bank account and their super to be invested responsibly and ethically, and 80% expect their savings to have a positive impact on the world. And as a warning to laggard money managers, 74% would consider moving to another provider if they found out their current fund was investing in companies engaged in activities that were inconsistent with their values. This rises to 87% for the younger generation.

Australians are putting these values into practice, with more Australians investing responsibly than ever before: the proportion of Australians with responsible investments is up 28% since 2020 to 17%, mostly Gen Xers and Millennials. A further 46% are considering investing in responsible investment products within the next five years, with 26% aiming to do so within the year. Three in five Australians would be motivated to try to save and invest more if they knew it would make a positive difference in the world.

Contrary to other research, this study did not find any evidence that economic outlook impacts existing or planned responsible investment practices among Australians.

Unsurprisingly, climate change is a top concern for Australians. This should provide impetus for investment providers to implement serious climate and other environmental commitments. But the 'S' in ESG is also gaining traction. Aside from climate change, there is a mismatch between the social and environmental issues consumers are concerned about (animal cruelty and human rights abuses) and the products on offer (which focus on exclusions such as tobacco and controversial weapons). Gender differences in specific social concerns (women care more about healthcare and avoiding pornography than men, for example) have implications for how responsible investment products can be effectively constructed and marketed. In other words, a 'one size fits all' approach to marketing responsible investment does not heed market expectations.

This study shows that Australians are demanding more transparency from their providers. They are attuned to the threat of greenwashing, which prevents 65% of Australians from switching to an 'ethical' bank. Seventy-seven percent of those who are considering investing in responsible investments within the next one to five years would be more likely to do so if the product was independently certified or labelled as authentic. Interestingly, Australians appear to trust super funds more than banks when it comes to delivering on responsible investment promises.

Four out of five Australians say it is important that their financial service providers deliver a positive impact in the world and that their service providers inform them about these impacts. Sixty-four percent of consumers now expect financial advisers to be knowledgeable about responsible investment options. And expectations that financial advisers will recommend ethical and responsible options and know about independently certified products also continue to increase. Three-quarters of the population seek full holdings disclosure (i.e. they want to know which companies their investments are backing).

Finally and most encouragingly, consumers increasingly understand the benefits to their hip pocket of investing responsibly: almost two-thirds agree that responsible and ethical super funds/investments perform better in the long term.

The challenge now rests firmly with providers to respond with investment products, reporting and advice that meet consumer expectations. Those who don't, stand a high chance of losing business, while those who do look set to thrive.

KEY FINDINGS



1. 4 out of 5 Australians (**83%**) expect their bank account and their super to be **invested responsibly and ethically** and for over 80% of the population, this means that their investments deliver a positive impact to the world.



2. Almost two-thirds (64%) of Australians still agree that responsible and ethical super funds/ investments **perform better in the long term**, similar to two years ago.



3. 74% of Australians would **consider moving to another provider** if they found out their current fund was investing in companies engaged in activities not consistent with their values.



4. Three in five (61%) Australians would be motivated to try to **save and invest more money** if they knew their savings and investments made a positive difference in the world. This is an eight point increase on two years ago (2020 53%).



5. Australians are increasingly **concerned about social** and not just environmental **issues when investing**. For **three-quarters (74%)** of Australians, social issues are important when they think about investing their money. This is up from 64% in 2020.



6. The vast majority of Australians **want the finance sector to act on climate change**. **Five out of six** Australians believe it is important their super fund or bank commits to reducing greenhouse gas emissions (84%), sets targets for emissions reductions (83%), and 81% want to see them pledge to achieve net zero by 2050.



7. Concerns over greenwashing remain prevalent among Australians, with **72%** of the population **concerned that responsible investors engage in greenwashing**, particularly the younger generations (80% of Gen Z compared to 66% of Baby Boomers), and this stops 65% of Australians from switching to an ethical bank.



8. Consumers still demand **more transparency and more authentic** responsible investment practices. **Four out of five (79%)** Australians would like their super fund or investment provider to **communicate the impacts** their investment is having on the planet.



9. Consumers still seek **independent certification or labelling**. **Three-quarters (75%)** of the population is more likely to invest in responsible investment products that have been certified or labelled as responsible by an **independent third party**.



10. Results show a **mismatch between the social and environmental issues** consumers want to avoid or promote through responsible investment and what the sector offers. For example, **two-thirds** of Australians (**67%**) want to **avoid animal cruelty, testing, and animal products** while only 32% of investment providers offer such products. Nearly **two-thirds (63%)** of Australians also want to **avoid investments that violate human rights**, while only 39% of responsible investment providers deliver products that meet this criterion.¹



11. The number one expectation Australians have of **financial advisers** is to be **knowledgeable about responsible investment** (64%, an increase from 54% in 2020) overtaking the prioritisation of investment returns for the first time (58%).

Consumer action and attitudes towards responsible investment

THE EXPECTATION IS TO INVEST RESPONSIBLY

For the majority of Australians in 2022, responsible investing should not be the exception, but the rule. Eighty-three percent of Australians expect their savings to be invested responsibly, whether it is deposited in a bank, their super fund, or another type of investment product. This sentiment is shared regardless of age or whether they live in urban or regional areas. However, there are differences based on gender, as women are more likely than men to expect that both their super fund and their bank invests their money responsibly (Figure 4).

While more Australians expect their superannuation to be invested responsibly than the money they keep in their bank accounts, the reverse is true for Baby Boomers. Eighty-six percent of Baby Boomers want their bank to invest their money responsibly, compared to 81% of those who want their super to be invested responsibly.

AUSTRALIANS CONTINUE TO SEEK RESPONSIBLE INVESTMENTS

Responsible investment in Australia is expected to grow, as Australians continue to seek to invest responsibly over the short term. In 2022, more Australians are investing responsibly than ever before. Seventeen percent of the population has responsible investments, an increase of four points or 28% since 2020 (Figure 5). Furthermore, over a quarter of the population (26%) is planning to invest in responsible investments in the next 12 months (similar to two years ago at 27%). A further 20% are considering responsible investments within the next one to five years.

WHO IS INVESTING RESPONSIBLY IN 2022?

In terms of those currently investing responsibly (17% of the population), these are predominantly made up 20% of Gen X and 19% of Millennials (Figure 6). But of those intending to invest responsibly in the next 12 months (26% of the population), a significant 45% are Gen Z and 36% are Millennials.

Almost twice as many men (22%) invest responsibly than women (13%). Women are also less likely to invest responsibly in the future, with 39% saying they will never consider doing so or at least not in the foreseeable future, compared to 33% of men. This result may reflect that of those who were pessimistic about the economy, the majority were women (59%) while the majority of those who had a positive outlook, were men (61%).

FIGURE 4 Expectations for money to be invested responsibly by gender



KEY FINDINGS



4 out of 5 Australians (83%) expect their bank account and their super to be **invested responsibly and ethically**



74% of Australians would **consider moving to another provider** if they found out their current fund was investing in companies engaged in activities inconsistent with their values

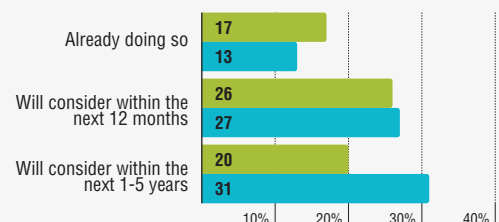


Three in five (61%) Australians would be motivated to try to **save and invest more money** if they knew their savings and investments made a positive difference in the world



Consumers still demand **more transparency and more authentic** responsible investment practices. **Four out of five (79%)** Australians would like their super fund or investment provider to **communicate the impacts** their investment is having on the planet

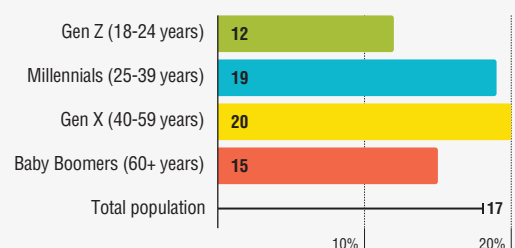
FIGURE 5 Proportion of Australians with responsible investments in 2022, or planning to invest responsibly in the next five years



QUESTION: When, if ever, would you be most likely to consider investing in ethical/responsible companies, funds or superannuation funds that aim to create positive social and environmental impacts?

2022
2020

FIGURE 6 Proportion of Australians that currently invest responsibly, by generation



QUESTION: When, if ever, would you be most likely to consider investing in ethical/responsible companies, funds or superannuation funds that aim to create positive social and environmental impacts?

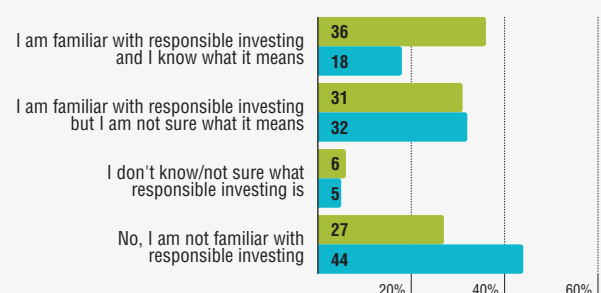
DID YOU KNOW?

Be warned! Three out of four (74%) consumers would consider moving to another provider if their current fund is investing in companies engaged in activities inconsistent with their values. This is especially true of the younger generations, who are the most likely to agree with this (Gen Z 87%, Millennials 82%; compared to Gen X 71%, Baby Boomers 64%).

The largest category of current responsible investors represent Gen X, are most likely male and reside in an Australian capital city rather than the regions. However, Gen Z and Millennials are the most likely to invest responsibly within the next five years, with most of them seeking to make the switch in the next 12 months.

The younger generations such as Gen Z (83%) and Millennials (75%) are more likely to be motivated to save more if their investments are making a positive impact. These 'motivated individuals' typically have \$5,000–\$150,000 in their super fund.

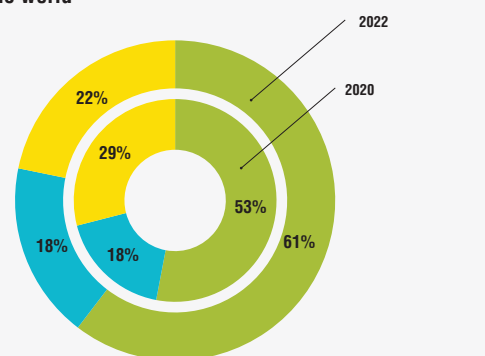
FIGURE 7 Growth in awareness and knowledge of responsible investment among Australian consumers



QUESTION: Are you familiar with responsible investing, also referred to as ethical or sustainable investing?

2022
2020

FIGURE 8 Proportion of Australians who would be motivated to save and invest more if their investments made a positive impact in the world



QUESTION: If you knew your savings and investments made a positive difference in the world, would you be motivated to try to save and invest more money?

Yes
No
Unsure

AWARENESS CONTINUES TO GROW

Two-thirds (67%) of Australians have heard of or know what responsible investing is; a remarkable increase from 50% in 2020 (Figure 7). The growth among those that are confident they know what responsible investment means doubled in just two years (18% in 2020 and 36% in 2022). Not surprisingly, Australians that are more familiar with responsible investment are also more likely to invest responsibly. Sixty-nine percent of those that know what responsible investment is, are already investing in it.

Overall, younger generations are more familiar with responsible investing (Gen Z 79%, Millennials 74%; compared to Gen X 64%, Baby Boomers 57%), as well as men (76% compared to women 59%).

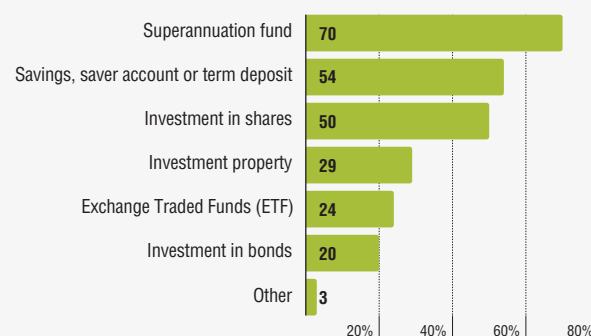
RESPONSIBLE INVESTMENT OUTCOMES MOTIVATE PEOPLE TO SAVE

Three in five (61%) Australians would be motivated to try to save more money if they knew their savings and investments made a positive difference in the world (Figure 8). This is an eight point increase on two years ago (2020 53%). This is driven by the younger generations, in particular Gen Z (Gen Z 83%, Millennials 75%; compared to Gen X 57%, Baby Boomers 39%).

RESPONSIBLE INVESTMENT PRIORITIES

Consumers are clear about which financial products should be invested responsibly. For most Australians (70%), the top responsible investment priority is superannuation, followed by savings accounts (54%) and investments in shares (50%) (Figure 9). Nearly a third of the population (29%) think responsible investment is important in their property investment and nearly a quarter (24%) in their ETFs.

FIGURE 9 Financial products that consumers most want to see invested responsibly



QUESTION: Which of your investments would you most want to see support environmental, social goals like climate change? Select top three only.

WHY ARE AUSTRALIANS SWITCHING FUNDS?

Negative experiences such as the COVID-19 pandemic, the destruction of Indigenous cultural heritage and extreme weather events are increasing awareness of responsible investment and are prompting many Australians to switch to responsible investment options and providers. More than one in four Australians (28%) have switched to a responsible option, prompted by their experiences with the COVID-19 pandemic, and 35% were prompted by the destruction of Indigenous cultural heritage.

DID YOU KNOW?

Baby Boomers (60+) residing in capital cities are the least likely cohort to invest responsibly in the future, with 60% saying they will never consider it or not at all in the foreseeable future.

IMPACT, CLARITY AND TRANSPARENCY: WHAT CONSUMERS EXPECT OF PROVIDERS

Australians want to see more transparency about where their money is invested and seek clarity about whether those funds deliver real results. Seventy-nine percent of Australians expect their super fund, bank or other investment to deliver a positive impact in the world and they want to be informed about the real world outcomes. Three-quarters of Australians want to know exactly which companies their money is supporting.

Top responsible investment priorities for consumers

CLIMATE CHANGE: INVESTMENT PROVIDERS SHOULD DO MORE

Climate change is a top concern for Australians who overwhelmingly want the finance sector to proactively take action on climate change.

Eighty-four percent of Australians believe it is important for their super fund or bank to reduce greenhouse gas emissions within the fund, and almost the same proportion (83%) believe it is important to set targets for emissions reductions (Figure 10). Over three-quarters of Australians (77%) believe it is at least somewhat important to do all three. Four out of five (81%) Australians believe it is important for their bank or super fund to pledge to achieve net zero emissions before 2050. Australians seek such commitments because the majority (56%) believe that their personal investment decisions can influence climate change. At the same time, almost three-quarters of the population (72%) believe that banks and investors can impact climate change through their investment decisions.

CONSUMER SUPPORT FOR COMMITMENTS

Exclusion of certain sectors or activities is a common responsible investment strategy employed by responsible investment providers but is not the only strategy. Stewardship and active ownership can also be effective in managing environmental and social concerns while impact investing that supports good causes leads directly to quantifiable positive impacts. We asked Australians which issues they believe their financial service providers should support. In addition to action on climate change above, an overwhelming majority (83%) said they want their bank or super fund to commit to protecting biodiversity, and 81% also want to see commitments to protecting Indigenous cultural heritage.

GREENWASHING IS A PROBLEM AND INDEPENDENT CERTIFICATION IS THE CURE

'Greenwashing', when referred to in the context of the financial services sector, is the misrepresentation of a financial product as having greater social or environmental credentials than it actually possesses. This can be intentional or unintentional. Greenwashing is a key concern among Australians who already invest responsibly as well as those that are planning to do so in the short term.

Alarming, almost three-quarters (74%) of those who already have responsible investments and four out of five (82%) Australians that are considering investing in responsible investment products in the next 12 months are concerned about greenwashing (Table 1 overleaf). Greenwashing is more of an issue for people who know what responsible investment is, than those that are unsure or unfamiliar with the term.

Three-quarters of Australians say they would be more likely to invest in responsible investment products that have been independently certified or labelled. Independent responsible investment labels or certification could convince 88% of Australians that already invest responsibly or plan to do so in the next 12 months, and 77% of those who are considering it within the next one to five years, to invest more in responsible investments.

KEY FINDINGS



Australians are increasingly **concerned about social** and not just environmental **issues when investing**. For **three-quarters (74%)** of Australians, social issues are important when they think about investing their money



Five out of six Australians believe it is important their super fund or bank commits to reducing greenhouse emissions (**84%**), sets targets for emissions reductions (**83%**) and **81%** want to see them pledge to achieve net zero emissions by 2050



Concerns over greenwashing remain prevalent among Australians, with **72%** of the population **concerned that responsible investors engage in greenwashing**



Three-quarters (75%) of the population is more likely to invest in responsible investment products that have been **certified or labelled** as responsible by an **independent third party**



There's a **mismatch between the social and environmental issues** consumers want to avoid or promote through responsible investment and what the sector offers. For example, **two-thirds of Australians (67%) want to avoid animal cruelty, testing, and animal products** while only 32% of investment providers offer such products

FIGURE 10 Proportion of Australians who believe it is important that banks and super funds make non-financial, sustainability-themed commitments and targets

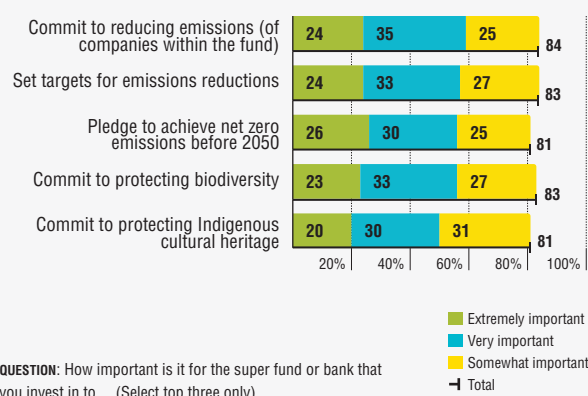


TABLE 1 Percentage of Australians that are concerned about greenwashing and who already invest responsibly or are planning to in the next 12 months

I am concerned that responsible investment providers engage in greenwashing...	
and I am considering investing responsibly in the next 12 months	82%
and I know what responsible investment means	80%
and I already invest responsibly	74%
and I am not sure what responsible investment means	73%

DID YOU KNOW?

More women would like to see their savings account or term deposit supporting goals like climate change (60%) than men (47%).

Gen Z feels the strongest about these actions, with 95% supporting commitments for greenhouse gas emission reduction, 96% wanting to see emissions targets set, and 94% wanting commitments to protect biodiversity.

TOP THEMES CONSUMERS THINK ABOUT WHEN INVESTING

Three out of four Australians (74%) consider environmental and social themes when investing; and for social themes this is a marked increase from 64% two years ago.

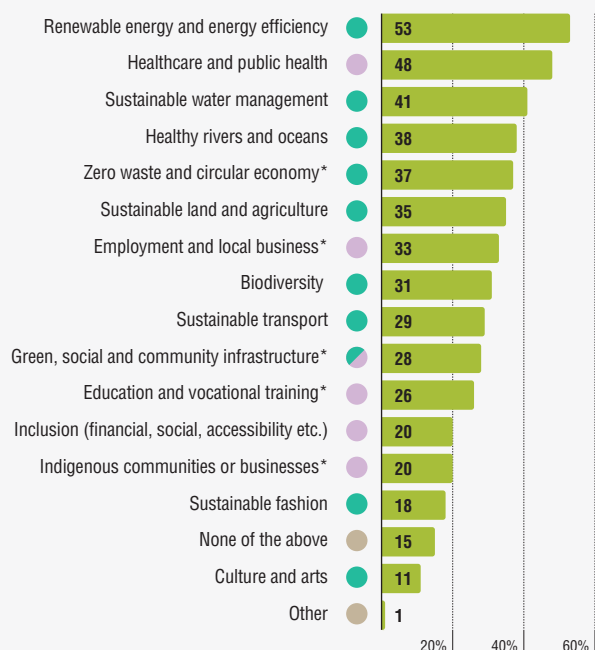
The top social themes Australians deem important when investing are:

1. healthcare, public health and medical products (48%)
2. support for employment and local business (33%)
3. green property, social and community infrastructure (28%)

The top environmental themes Australians deem important when investing are:

1. renewable energy and energy efficiency (53%)
2. sustainable water management (41%)
3. healthy river and ocean ecosystems 38%

FIGURE 11 Top environmental and social themes Australians care about when investing



*New or different category in 2022

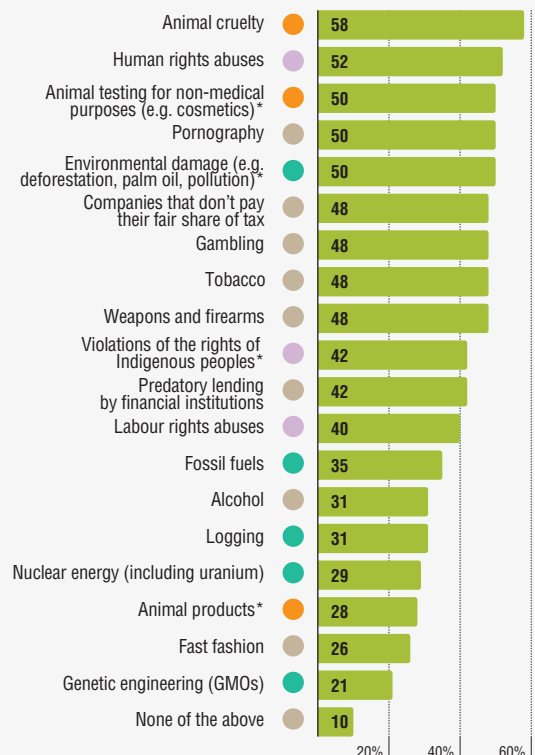
QUESTION: Which of the following are important issues when you think about investing your money (including superannuation, banking and other investments)?

THEMES
● Environmental
● Social
● Other

TOP SOCIAL AND ENVIRONMENTAL ISSUES CONSUMERS WANT TO AVOID WHEN INVESTING

In addition to asking Australians about the top environmental and social themes they consider when investing, we also asked which issues or activities they want to avoid in their investments. The results reveal that about half of Australians want their investments to avoid a range of negative impacts. Consumers' top priority remained focused on avoiding animal cruelty and human rights violations, and a marked increase among those who seek to avoid environmental damage compared to two years ago (Figure 12). Sentiment towards other issues stayed the same or slightly decreased. Interestingly, while renewable energy and energy efficiency is a top theme of interest for the majority of the population (53%), only 35% want to exclude investments in fossil fuels.

FIGURE 12 Top social and environmental issues consumers want to avoid in their investments



*New or different category in 2022

QUESTION: Which of the following are important issues to avoid regarding investing your money (including superannuation, banking and other investments)?

THEMES
● Environmental
● Social
● Animal rights
● Other

The top issues and changes since 2020, are as follows:

1. More Australians seek to avoid activities linked to animal cruelty, including animal testing or animal products, increasing to 67% this year from 63% in 2020.
2. Avoidance of issues linked to human rights abuses increased to 63% in 2022, from 58% in 2020, which includes the 42% of Australians who wish to avoid violations against the rights of Indigenous peoples (a category introduced this year).
3. Those who seek to avoid investments that cause environmental damage increased to 50% in 2022 (from 42% in 2020).
4. Pornography remains a concern for 50% of Australians in 2022, similar to 2020.
5. A range of issues dropped slightly in interest among consumers compared to two years ago, such as weapons and firearms (48% in 2022, 54% in 2020), tobacco (48% in 2022, 54% in 2020), gambling (48% in 2022, 50% in 2020), and companies that don't pay their fair share of taxes (48% in 2022, 49% in 2020).

Consumer interest in avoiding certain sectors and activities stands in sharp contrast to the top social and environmental issues that investment providers are currently excluding. According to our research, the top issues investment providers are excluding are tobacco and controversial weapons,² while these are only the sixth and seventh top issues for consumers. Undeniably, new initiatives such as Modern Slavery reporting by investors is a step in the right direction, however the results signal to asset owners and investment providers that they should be clear on how they are tackling the big issues consumers are concerned about, whether that be through exclusions, engagement or voting.

DIFFERENCES BASED ON GENDER

The results indicate that women and men have different concerns when it comes to social or environmental issues. In general, women are more concerned about themes such as healthcare and public health (54% of women, compared to 41% of men). They are also more likely to consider education important (31% compared to 22% of men) and sustainable fashion (24%, compared to 13% of men) when investing.

Differences in gender are also apparent when it comes to specific issues that consumers want to avoid. More than half of Australian women want to avoid investment in pornography (61%), environmental damage (58%), animal testing for non-medical purposes (58%), weapons and firearms (57%), gambling (54%), companies that don't pay their fair share of taxes (53%). In contrast, the top issues to avoid for men are environmental damage, gambling, companies that don't pay their fair share of taxes, animal testing and weapons and firearms, concerning around 40-44% of men.

Should responsible investment products be marketed to women and men differently?

Women care about social and environmental issues more than men overall, but they also care about some issues more than the opposite gender. There is a strong argument for investors to develop and market responsible investment products to women differently than men, based on the data. Investment providers could gain more female investors by disclosing how they approach issues such as pornography, fast fashion, and gambling in their responsible investment options.

DID YOU KNOW?

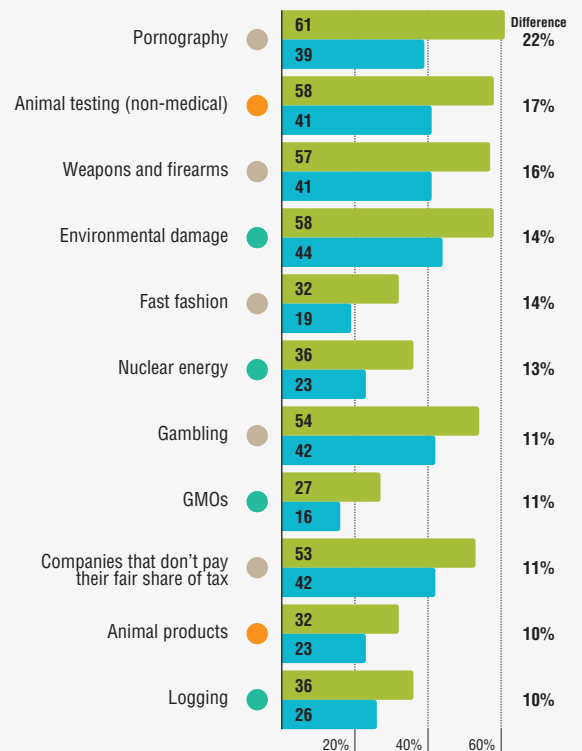
The results show that there is a strong view among Australians of all ages that the finance sector needs to tackle climate change, with all generations naming renewable energy and energy efficiency as the top theme they want to include in their investments.

Four out of five millennials would like to see their superannuation support environmental or social goals (81% compared to Gen Z 70%, Gen X 69%, Baby Boomers 60%).

Which social and environmental issues should investment providers be taking action on?

Notwithstanding the exclusion of tobacco, controversial weapons and fossil fuels already prevalent among Australian investment products, results are clear that consumers seek responsible investment products that are also taking strong action human rights abuses, animal cruelty and testing, environmental damage, pornography, gambling, and companies that do not pay their fair share of taxes (Figure 13). Exclusion is one approach, but investment providers can tackle these issues via other strategies, such as stewardship practices like engagement and voting. In any case, investors ought to be clear to consumers that they have these big issues on their radar and how they are tackling them.

FIGURE 13 Differences between the environmental and social issues that women and men want to avoid in investing



QUESTION: Which of the following are important issues to avoid regarding investing your money (including superannuation, banking and other investments)?

THEMES
 ● Environmental
 ● Animal rights
 ● Other
 ■ Women
 ■ Men

DIFFERENCES BASED ON AGE

There is a high level of agreement among generations about what the most pressing social and environmental issues are when considering investment. Regardless of age, the top priorities for Australians are 1) renewable energy and energy efficiency; and 2) health care and public health (Table 2). Sustainable water management is also among the top five issues of concern for the population overall. Zero waste and circular economy is important for Gen Z, Millennials and Gen X, while Baby Boomers are more concerned about sustainable land and agriculture.

Closer probing of the data reveals a significantly higher interest among Millennials toward investment in green buildings and infrastructure. Armed with the knowledge that Millennials are also actively saving towards a home and tend to reside in cities, increasing investment in green housing appears to be a sound strategy for investment providers.

DID YOU KNOW?

Younger generations care more about social and environmental issues. Millennials are the most concerned generation, with 80% of them caring about environmental and 83% about social issues. Gen Z is second, with 79% concerned about environmental and 78% about social issues. Gen X is more concerned about environmental issues (71%) than social issues (67%). Sixty-nine percent of Baby Boomers are concerned about the environment and 68% are concerned about social issues.

Different generations prioritise different issues to avoid (Table 3). Still, animal cruelty, human rights abuses and environmental damage are all important regardless of generation. Interestingly, exclusion of pornography is more important among the older generations and is the top issue to avoid among Baby Boomers.

TABLE 2 Top five environmental and social themes Australians find important when investing, by generation

PRIORITIES	Gen Z (18-24 years)	Millennials (25-39 years)	Gen X (40-59 years)	Baby Boomers (60+ years)
1	Renewable energy and energy efficiency	Renewable energy and energy efficiency	Renewable energy and energy efficiency	Renewable energy and energy efficiency
2	Healthcare, public health and medical products	Healthcare, public health and medical products	Healthcare, public health and medical products	Healthcare, public health and medical products
3	Zero waste and circular economy	Sustainable water management and use	Healthy river and ocean ecosystems	Sustainable water management and use
4	Sustainable transport	Zero waste and circular economy	Sustainable water management and use	Healthy river and ocean ecosystems
5	Sustainable water management and use	Healthy river and ocean ecosystems	Zero waste and circular economy	Sustainable land and agricultural management

QUESTION: Which of the following are important issues when you think about investing your money (including superannuation, banking and other investments)?

TABLE 3 Top five environmental and social issues consumers want to avoid, by generation

PRIORITIES	Gen Z (18-24 years)	Millennials (25-39 years)	Gen X (40-59 years)	Baby Boomers (60+ years)
1	Human rights abuses	Animal cruelty	Animal cruelty	Pornography
2	Animal cruelty	Human rights abuses	Environmental damage (e.g. deforestation, palm oil, pollution)	Companies that don't pay their fair share of tax
3	Environmental damage (e.g. deforestation, palm oil, pollution)	Animal testing for non-medical purposes (e.g. cosmetics)	Weapons and firearms	Animal cruelty
4	Fossil fuels	Environmental damage (e.g. deforestation, palm oil, pollution)	Human rights abuses	Tobacco
5	Violations of the rights of Indigenous peoples	Tobacco	Pornography	Gambling

QUESTION: Which of the following are important issues to avoid regarding investing your money (including superannuation, banking and other investments)?

Public opinion on the practices of banks, superannuation funds, financial advisers and other financial service providers

CONSUMERS SEE THAT RESPONSIBLE INVESTMENTS OUTPERFORM

Sixty-four percent of Australians believe that responsible investment super funds and other investments will perform better in the long term than traditional investments. Still, perceived barriers to switching to responsible service providers remain.

BARRIERS TO SWITCHING BANKS

The majority of Australians (65%) do not believe the claims banks make about responsible investment. Out of ten possible barriers to switching to an ethical bank the biggest problems were 1) lack of independent information (81%); 2) lack of credible options (73%); 3) higher cost (71%); and 4) lack of trust that such banks deliver on their promises (65%) (Figure 14). At the same time, paradoxically, more than half of Australians (53%) believe that ethical banks do make a difference to social and environmental outcomes. On a positive note, most Australians (70%) also believe that ethical banks offer options that traditional banks do not.

Other important deterrents to changing banks include lack of money in the bank to make a difference (56%), lack of time to look at other options (55%) and switching being too hard (55%). Concerns about lack of financial performance, ethical banks being too risky, or not making a difference are prevalent for less than half of the population.

BARRIERS TO SWITCHING SUPER FUNDS

While similar consumer scepticism plagues superannuation funds and banks, Australians appear to trust super funds more than banks when it comes to delivering on responsible investment promises. Seven out of ten Australians believe that super funds that claim to have a positive impact actually do.

There are six perceived barriers preventing more than half of Australians from switching to responsible investment super funds, including 1) lack of independent information; 2) lack of credible options; 3) lack of time; 4) cost; 5) difficulty in switching; and 6) lack of money in super (Figure 15). On a positive note, 73% of people recognise that responsible investment super funds look at options that standard funds do not, 70% trust that super funds that claim to have a positive impact do so, and 74% believe ethical or responsible super funds do have a positive impact.

DID YOU KNOW?

Younger generations demand greater transparency from their banks and investment providers. Ninety percent of Gen Z want to know how their super fund intends to vote before meetings, compared to 78% of Millennials, 72% of Gen X and 61% of Baby Boomers.

KEY FINDINGS

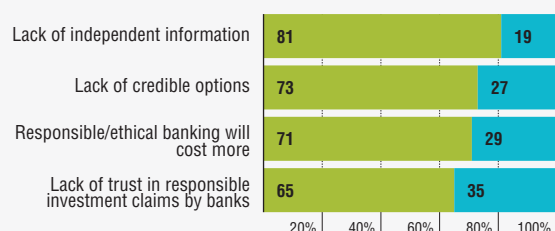


Almost **two-thirds (64%)** of Australians believe that responsible and ethical super funds and investments **perform better in the long term**



The **number one expectation** Australians have of **financial advisers** is to be **knowledgeable about responsible investment** (64%, an increase from 54% in 2020) overtaking the prioritisation of investment returns for the first time (58%)

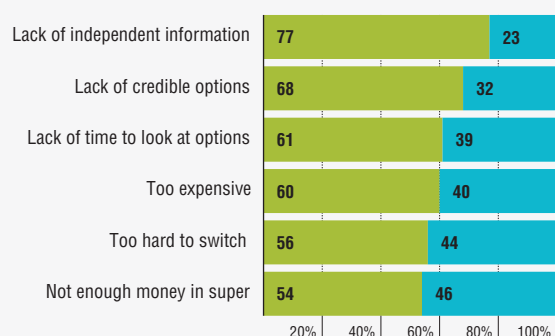
FIGURE 14 Top barriers to switching to a responsible or ethical bank



QUESTION: What prevents you from switching your existing bank to a responsible or ethical bank?

Agree
Disagree

FIGURE 15 Top barriers to switching to a responsible investment super fund



QUESTION: To what extent do you agree with the following statements regarding switching to ethical or responsible superannuation funds, or option within a fund?

Agree
Disagree

DID YOU KNOW?

Switching to an ethical bank is not as hard as younger people think. While more than half of Australians (55%) think it is too hard to switch to an ethical bank, 44% of those who already made the switch did not find it difficult. More than half (51%) of Baby Boomers say they are already with an ethical bank/fund, compared to 70% of Gen Z who claim switching is too hard.

Lack of credible responsible investment options is more of a barrier to switching super funds for women (82%) than men (73%).

Baby Boomers are least likely to believe the socially responsible claims of banks. However, they are also most likely to believe that they do not have enough money in the bank or in their super to make a difference.

EXPECTATIONS OF FINANCIAL ADVISERS

The number one expectation Australians have of financial advisers in 2022 is to know about responsible investment, increasing to 64% compared to 54% two years ago (Figure 16). Almost half the population (47%) also expect them to provide responsible investment recommendations, while 43% expect financial advisers to know which responsible or ethical products are independently verified or certified. These trends are characteristic of Australians of all walks of life, regardless of where they live, employment status, age or gender.

DISCLOSURE PRACTICES

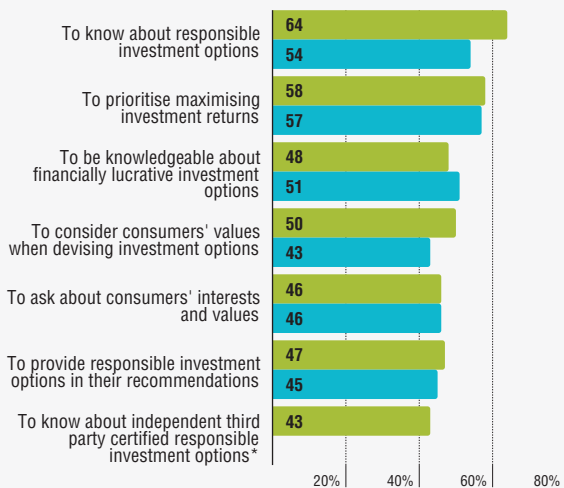
Communication with consumers on responsible investment matters is insufficient, as most Australians want to know more about the planned or actual stance of their financial service providers on social and environmental issues.

Just over half of Australians (54%) find the information about responsible investments on their super fund or bank's website helpful (Figure 17) and only about a third (38%) say they receive information about responsible investments from their super or investment firm regularly.

Australians also crave greater transparency when it comes to disclosing active ownership/corporate stewardship practices and voting intentions. Three-quarters of Australians want to know how their super funds voted on social and environmental issues and would want to know this before such voting takes place (Figure 18).

Men agree more that being informed about voting intentions and outcomes is important (76% of men, compared to 70% of women).

FIGURE 16 Expectations of financial advisers

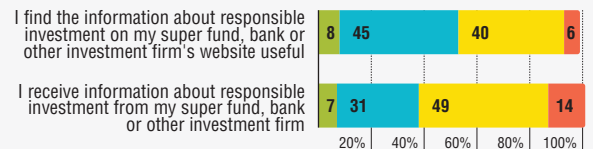


*New category in 2022

QUESTION: When working with a financial adviser, which of the following, if any, would you expect of them? If you don't work with a financial adviser, please answer hypothetically.

■ 2022
■ 2020

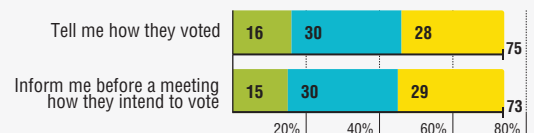
FIGURE 17 Percentage of Australians that receive information about responsible investment from their service provider and those that find website information useful



QUESTION: To what extent do you agree with the following statements?

■ Strongly Agree ■ Agree ■ Disagree ■ Strongly Disagree

FIGURE 18 Percentage of Australians that believe it is important their super fund informs them about how they voted and how they intend to vote on ESG issues



QUESTION: How important is it for the super fund or bank that you invest in to tell you how they voted/tell you before a meeting how they intend to vote on environmental or social issues (at company Board meetings)?

NOTE: Totals are different from the sum of individual data due to rounding.
■ Extremely important ■ Very important ■ Somewhat
→ Total

Context of responsible investment practices of Australians

OVERALL POPULATION TRENDS

Sixty-three percent of Australians live in capital cities, while 36% live in regional areas. The majority of individuals living in regional Australia are Baby Boomers (35%), while the majority of those living in capital cities are Millennials (34%).

SUPERANNUATION, SAVINGS, AND OTHER INVESTMENT TRENDS IN AUSTRALIA

Sixteen percent of Australians don't know or are unsure how much money they have in their superannuation. A third of the population (31%) has \$20,000–\$150,000 in their super. Another 12% of Australians have \$200,000–\$500,000 in their super. As expected, there are differences in the amount of super based on gender. More men (41%) have \$100,000 or more in their super than women (28%). Residence in capital cities or regions does not impact the amount invested in super, although a disproportionate segment of the population in the ACT (10%) estimated their super to be over \$1 million.

Australians are becoming more sophisticated savers and investors with 78% of the population having savings and investments other than superannuation or property. There is no significant difference between the amount of money invested by people representing different genders, but non-investors are twice as likely to be women (8% of population) than men (4%). Most Australians (54%) have savings or investments of up to \$100,000, which is possibly earmarked for a down payment on property.

The amount of savings and investments (outside of super or property) vary, as different generations have different savings and investment goals. More than half of Gen Z (54%) has up to \$20,000 in savings or investments and another 23% has between \$20,000–\$100,000. Forty-one percent of Millennials have between \$20,000–\$150,000 saved or invested, possibly earmarked to purchase a property in one of the capital cities, where most Millennials reside. The savings and investments of Gen X varies with 28% having less than \$10,000 and 20% with \$200,000–\$1 million in savings and investments. It is possible that those with smaller savings just made an investment (for example, a deposit on a property) while those with around \$100,000 in savings haven't yet. Three percent of the Australian population has over \$1 million in savings or investments, with age the key determining factor (6% of Baby Boomers and 3% of Gen X).

HOW AUSTRALIANS CHOOSE THEIR SUPER FUND

The top three considerations for Australians when choosing their super are believing that it will provide the best financial return (53%) and going with the default option (46%) or the option recommended by their employer (46%). The fourth biggest consideration is alignment with personal values (37%) and fifth is following the advice of family or friends (36%). For one in four Australians sustainability is one of the top three concerns when choosing their superannuation fund.

12-MONTH ECONOMIC OUTLOOK OF AUSTRALIANS

Prior research suggests that economic outlook can influence consumer interest in responsible investment (for example in the United States³), however, there is no evidence that it impacts existing or planned responsible investment practices among Australians. Nearly half of the Australian population has a neutral economic outlook (49%), 27% has a negative, and 24% has a positive outlook over the next 12 months.

Age, gender, place of residence, and employment all influence individuals' economic outlook. Women and those living outside capital cities are more pessimistic. Only 18% of women have a positive economic outlook compared to 30% of men, and 31% of women have a negative economic outlook, compared to 21% of men. (Neutral economic outlook is evenly distributed among genders.)

Younger Australians and those with full-time jobs are decidedly less pessimistic about the future economy. Just 15% of Gen Z and 23% of Millennials have a negative 12-month outlook, compared to 31% of both Gen Z and Baby Boomers. Positive economic outlook is similar among the four generations, ranging between 21–26%. At the same time, 32% of Australians living outside capital cities have a negative outlook, compared to 23% of those who live in one of the capital cities. Again, there is no significant difference based on residence among those who have a positive or neutral outlook.

Disclaimer

The information in this report is general in nature and does not constitute financial advice. Past performance does not guarantee future results, and no responsibility can be accepted for those who act on the contents of this report without obtaining specific advice from a financial adviser. RIAA does not endorse or recommend any particular firm, fund manager or super fund to the public.

- ¹ Responsible Investment Association Australasia, Responsible Investment Benchmark Report 2021, RIAA, 2021, <<https://responsibleinvestment.org/wp-content/uploads/2021/09/Responsible-Investment-Benchmark-Report-Australia-2021.pdf>>.
- ² Responsible Investment Association Australasia, Responsible Investment Benchmark Report 2021, RIAA, 2021, <<https://responsibleinvestment.org/wp-content/uploads/2021/09/Responsible-Investment-Benchmark-Report-Australia-2021.pdf>>.
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- ³ Morgan Stanley, Sustainable Signals 2021, <https://www.morganstanley.com/assets/pdfs/2021-Sustainable_Signals_Individual_Investor.pdf>.



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