I knew we were in trouble when a leader in the Australian financial services sector told us “in our business mate, ninety seconds is a f@!ing eternity.” We’d met him to discuss our efforts to re-prioritise long-term interests in the over one trillion dollar superannuation industry.

Since 2007 The Climate Institute has “followed the money” back up the investment chain tracking the basis for investment decisions in high-carbon assets like coal power stations, coal mines and more. In Australia over $1.6 trillion dollars, more than Australia’s annual GDP, is held in superannuation funds whose legal purpose is to manage funds for our long-term interests – our retirement.

With an average life of 20 years for superannuation accounts, we’ve wanted to understand how these funds are managed and to what extent longer term risks – like the implications of accelerating climate change, and potential responses to it – were factored in. How do superannuation trustees, to whom we entrust management of our retirement nest egg, analyse and embed such considerations through the links in the investment chain? This is a chain that extends from your money to the trustees, to fund managers, and to market traders such as our friend above.

Days before the 2007 Federal election, we hosted a meeting of leaders in the superannuation industry and it was clear that there was at best an emerging awareness of these issues.

Reflecting on the discussion one participant said a bit quietly, “it’s true - we own the coal lobby.”

It was an exciting moment, full of potential. Yet subsequent years have shown the challenges of moving the managers of our retirement funds from awareness, to asking questions, to taking action in their investment decisions.

In those early years, The Climate Institute teamed up with the Australian Institute of Superannuation Trustees to conduct groundbreaking surveys of the managers of Australian superannuation funds in what we called the Asset Owners Disclosure Project (AODP).

There were positive stories of funds asking more questions of emission reduction strategies of companies and some investment action in climate solutions. However, the reality is that most investment action is dominated by the market traders, short-term returns and a group-think that sees superannuation funds huddling closely around index performance measured mostly on quarterly performance.

Because of this dominance of short-termism, many of us are accidental investors in businesses that care little for the medium or long-term, with funds investing on average around 2 per cent of funds under management in low-carbon solutions. As the head of the OECD noted recently, over 55 per cent of investments are in high-carbon or climate exposed investments.

The challenge of engaging longer-term thinking reveals, yet again, that while climate change is a threat multiplier, climate action can be a solutions multiplier.

As we posed questions about the chronic short-termism from a climate perspective, we realised that we were joining many others raising similar questions on issues from environment, health, worker conditions and poverty perspectives.

We also realised that we were joining a tradition of citizen calls for corporate responsibility dating as far back as the 1600s when Amsterdam’s religious groups boycotted the Dutch East India Company over the use of violence in its trading operations. The history book of corporate campaigns has thickened since then, driven by the faith, union, environmental, and anti-apartheid movements.
But recent activism in the superannuation industry is part of an even more exciting and profound development that has arisen with the tremendous growth in scale and influence of the global pool of monies invested on behalf of citizens for long-term benefits. These include superannuation and insurance funds, but also include sovereign wealth funds established by governments to manage taxpayer funds for the longer term such as Australia’s own Future Fund.

These funds have become what are called “universal owners”, investing across all asset classes from infrastructure, to health to agriculture to property. Old time financial barons such as the Rockefellers could privatise the gains in selective investments like polluting industries, but socialise the losses caring little for consequences elsewhere. There are still a number of these barons around but these funds have skin in the game on good governance and longer term sustainability across all parts of the economy.

Together, these funds have moved from about 15 per cent of global share markets in 1995 to over 50 per cent now. With around $60 trillion under management, they represent the largest pool of capital available today.

They can be immensely powerful if what has been called the global democratisation of capital ownership or the rise of the citizen investor can reap its full potential.

It is early days but some funds have already begun demolishing old rules and habits, laying the groundwork for a new “constitution of commerce” - or civil economy – one in which investors, corporate executives, information providers, civic lobbies, political parties, unions, religious institutions and involved citizens all play a role.

There are plenty of hurdles ahead but you and I can put an end to the days of being an accidental investor not only by understanding more about how our superannuation funds are managed, but also by actively engaging in its management.

This report has been prepared to give you some of the results from the latest AODP survey, now a global initiative looking at the world’s 1,000 largest funds. We also provide information about how you can take greater action exercising your rights as fund members and what is called the fiduciary duty to you of the trustees of your superannuation money.

The report provides tips for those who want their funds to invest more in low-carbon climate solutions or to divest from the high-carbon investments that are putting our climate, and future, at risk.

Lifting our gaze from the market traders screen reveals that too much of our retirement funds are invested in high-carbon, high-risk investments resting on a speculative bubble of climate denial, indifference or delay. Acting together as citizen investors we can help create an investment tipping point in low-carbon, climate solutions. We hope this report helps in that endeavour.