

Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001



15 February 2022

To Whom It May Concern,

Re: Consultation on Prudential Standard SPS 530 - Investment Governance in Superannuation

Thank you for the opportunity to provide the Responsible Investment Association Australasia's (RIAA) perspective in response to your consultation on Prudential Standard SPS 530 on Investment Governance in Superannuation.

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 US\$29 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.

In light of our mission, RIAA welcomes APRA's review of SPS530, and subsequent plans to consult on SPG530.

Core to a modern understanding of investment governance, we would encourage APRA to include explicit reference to environmental, social and corporate governance (ESG) considerations as falling within the remit of sound risk management practices of RSE's. In the context of a global moves to ensure greater clarity around ESG risk management within financial sector regulations and guidance, including such moves in Australia across APRA and ASIC, we see this as important for APRA also to consistently and clearly articulate this in the context of this SPS530, to ensure the appropriate consideration and management of such risks is embedded in RSE governance.

I understand the Principles for Responsible Investment (PRI) has made a submission to the consultation process for SPS 530. The PRI's submission focuses on reflecting RSE licensee's obligations to consider and manage material market-wide risks, particularly where sources of those risks stem from ESG-related issues. The PRI has also recommended that explicit guidance be provided in either SPS or SPG 530 to RSE licensees on how RSE licensees should consider and manage ESG-related risks at the idiosyncratic level as well as market-wide level. This is in line with RIAA's recommendations in relation to APRA's previous consultation process for SPG 530.

On behalf of RIAA, an important partner of the PRI's in promoting responsible investment in Australasia, I commend the PRI's recommended amendments to you. Adoption of the PRI's recommendations will ensure due consideration by RSEs of ESG factors while formulating objectives for investment options, undertaking due diligence for the selection of investments, monitoring the performance of investments, reviewing investment objectives and strategies and stress testing.

I welcome APRA's intention to consult further on enhancements to Prudential Practice Guide SPG 530 Investment Governance and Prudential Practice Guide SPG 531 Valuation during 2022. RIAA looks forward to making a comprehensive submission to that process, as we have done in the past. I am pleased to note the specific references to ESG issues in SPG 530; however, I would hope to see these and other responsible investment-related themes clarified and strengthened through the consultation process for SPG 530.

Thank you for the opportunity to comment.

Yours sincerely,



Simon O'Connor
CEO
Responsible Investment Association Australasia

