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**Abstract:** In Australia since 1992 all employees are required by legislation to contribute a prescribed minimum proportion of their salaries and wages to superannuation (pension) funds that are non-redeemable until retirement. The majority of these contributions are indirectly invested by superannuation funds in the Australian and international capital markets. Traditional investment theory analyses investment efficacy purely on financial return and risk characteristics. This approach implies a purely economic motive to the actions of an investor when, for a rapidly growing number of investors, this is not the only factor by which the success of an investment is judged. Increasingly investors view the socially responsible and ethical behaviour of firms and industries as an important criterion in deciding where to invest. The rapid uptake of socially responsible investment (SRI) has been highlighted by the release in 2006 by the United Nations of the Principles for Responsible Investment (UNPRI). It is recognised that there are several different strategies for SRI, ranging from the original negative screens of early social funds to the active shareholder engagement proposed by the UN. However, there has been very little research carried out into the current practices of SRI by Australian superannuation funds and the SRI criteria required by Australian superannuation fund members. This paper outlines a research proposal aimed at the development of a theoretical model of socially responsible investment criteria for superannuation fund members.  
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EXPLORING SOCIALLY RESPONSIBLE INVESTMENT FOR SUPERANNUATION FUNDS IN AUSTRALIA: A RESEARCH PROPOSAL

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EXPLORING SOCIALLY RESPONSIBLE INVESTMENT FOR SUPERANNUATION FUNDS IN AUSTRALIA: A RESEARCH PROPOSAL

Abstract

In Australia since 1992 all employees are required by legislation to contribute a prescribed minimum proportion of their salaries and wages to superannuation (pension) funds that are non-redeemable until retirement. The majority of these contributions are indirectly invested by superannuation funds in the Australian and international capital markets.

Traditional investment theory analyses investment efficacy purely on financial return and risk characteristics. This approach implies a purely economic motive to the actions of an investor when, for a rapidly growing number of investors, this is not the only factor by which the success of an investment is judged. Increasingly investors view the socially responsible and ethical behaviour of firms and industries as an important criterion in deciding where to invest. The rapid uptake of socially responsible investment (SRI) has been highlighted by the release in 2006 by the United Nations of the Principles for Responsible Investment (UNPRI).

It is recognised that there are several different strategies for SRI, ranging from the original negative screens of early social funds to the active shareholder engagement proposed by the UN. However, there has been very little research carried out into the current practices of SRI by Australian superannuation funds and the SRI criteria required by Australian superannuation fund members. This paper outlines a research proposal aimed at the development of a theoretical model of socially responsible investment criteria for superannuation fund members.
Introduction

In the classical finance and economics literature investors are assumed to make rational investment and consumption decisions based on an analysis of the expected financial return on the investment and the level of incumbent risk attached to that return. The return is normally measured in percentage terms against the initial investment and the risk is measured by the variance of ex post actual returns from ex ante expected returns. However, this approach implies a purely economic motive to the actions of the investor when, for an increasing number of investors, this is not the only factor by which the success of an investment is judged. For many investors the socially responsible and ethical behaviour of firms is an important criterion in deciding where to invest (Hickman, Teets, & Kohls 1999).

Within the literature the terms ‘socially responsible investment’ (SRI), ‘ethical investment’ and ‘social fund’ are used interchangeably (Owen 1990; Haigh & Hazelton 2004; Sparkes & Cowton 2004). More recently the phrase ‘environmental, social and corporate governance’ (ESG) has also been used in connection with the process of responsible investment (United Nations 2006). Broadly SRI is a set of approaches to investment which include the use of social, ethical and environmental investment goals (constraints) in addition to conventional financial return and risk criteria when selecting an investment portfolio. For a social fund and its investors it is not simply the size and risk of the financial return, but the source of the return, that is important (Cowton 2004).

The increased interest in the environmental, social and ethical performance of corporations has seen the development of SRI funds to meet investor demand. These social funds have the claimed objective of allowing investors to connect their financial objectives with their personal moral commitments (Haigh & Hazelton 2004). Whilst still regarded as a relatively new phenomenon SRI has grown exponentially in recent years and now accounts for over US$2 trillion in professionally managed assets in the United States (Dillenburg, Greene, & Erekson 2003) and more than UK £6,000 million in the United Kingdom (Ethical Investment Research Service 2007). In the five days following the launch by the Secretary General of the United Nations (UN) of the UN Principles for Responsible Investment in April 2006, institutions representing more than US$4 trillion of investment funds became signatories (UN 2006).

The introduction of compulsory employee superannuation in Australia in 1992 has resulted in virtually all working Australians contributing to superannuation (pension) fund investments and, in the vast majority of cases, a consequent indirect investment in the financial markets through that fund. The introduction in Australia of the Superannuation Legislation Amendment (Choice of Superannuation Fund) Act 2004, which came into force on July 1st 2005, means that rather than being locked into an industry or employer-sponsored fund, employees now have the freedom to choose the superannuation fund of their choice. A further change for superannuation investors was embodied in the Financial Services Reform Act 2001 (effective 2004) which mandates that issuers of consumer investment products in Australia must disclose if and how social considerations are used.
in investment portfolio construction. However, whilst there is a growing literature based on SRI and its impact on the behaviour of firms and despite significant changes to the superannuation investment landscape in Australia, there as yet has been little research into the role of SRI from either the viewpoint of Australian superannuation funds or their Australian fund members (Haigh & Hazelton 2004). Further, it is recognised within the literature that there has been little research into the factors that influence the satisfaction of superannuation fund members (McDonald, Viecell, & Darbyshire 2003). Whilst there is a general recognition of broad social and environmental criteria and methods utilised for implementing SRI there has been no research aimed at identifying which of these criteria or modes are important to the members of Australian superannuation funds.

This paper details a research proposal aimed at the development of a theoretical model of socially responsible investment for superannuation fund members. It is anticipated that the research findings will extend the literature relating to finance, superannuation, and socially responsible investment. In applied terms the development of a stakeholder model of socially responsible investment for superannuation funds will be of value to both the Australian superannuation industry and fund members who may wish to invest in a socially responsible manner.

**Literature and Motivation**

A range of societal factors have contributed to an increased interest and concern in social and environmental issues in Australia and internationally (Dunlap & Scarce 1991; Deegan & Gordon 1996). There is considerable evidence that many corporations are voluntarily disclosing social and environmental information in their formal corporate reporting despite the fact that such reporting is not yet mandated in many jurisdictions. Similarly, there has been a large increase in accounting and finance research studies into issues surrounding the measurement and reporting of social and environmental costs by corporations (see for example Adams, Hill & Roberts 1998; Deegan & Gordon 1996; Deegan & Rankin 1996). This changed focus is also identifiable through the rapid uptake in the private and public sector of social and environmental sustainability reporting methodologies such as Triple Bottom Line (Elkington 1997). The increased focus on ethical corporate governance, in part brought about by the governance failures of several large corporations in Australia and internationally, has also highlighted the need for corporate reporting that goes beyond the purely financial (Staubus 2005; Zahra et al. 2005). These events have contributed to the increasing recognition in Australia by governments, capital markets, corporations, and within the accounting and finance literature, of the importance of corporate social responsibility (CSR). Socially responsible investment is the natural extension of the tenets of corporate social responsibility to the field of investment (Sparkes & Cowton, 2004).

**Socially Responsible Investment (SRI)**

There is ongoing debate regarding the nature of SRI and the terminology that should be employed to describe the phenomenon. Within the literature the terms ‘ethical investment’, ‘social fund’ and ‘socially responsible investment’ are used relatively interchangeably (Sparkes & Cowton, 2004). Similarly, the various reporting frameworks proposed to facilitate SRI have different emphasis and foci. The actual identification of what constitutes SRI is problematic and difficulties arise in identifying and agreeing to the social, environmental, governance, moral, and ethical standards that
a company should be held to. The release of the UN Principles for Responsible Investment (PRI) (UN2006), using the nomenclature 'environmental, social and governance' (ESG) reporting, has reinforced the importance of environmental sustainability as a critical component of SRI. The pressure applied to increase the focus on environmental sustainability issues in SRI in Australia is best evidenced by the change in report name adopted by the Ethical Investment Association who, whilst maintaining the SRI acronym, have adopted the term Sustainable Responsible Investment for their yearly benchmarking report for the 2005 year (Ethical Investment Association 2006). Previous SRI benchmarking reports published by the Association were titled Socially Responsible Investment.

The first examples of attempts at SRI can be traced back to the conservative religious screening conducted by the Quakers during the 18th century when they eschewed investment in companies involved in tobacco, alcohol, and gambling. Screening of investment on religion-based perceptions of immoral earnings (sin screens) were the basis of the Pioneer Fund believed to be the first SRI fund launched in 1928 (Entine 2003; Sparkes 2001). The modern roots of the SRI movement can be found in the 1960s and 1970s when SRI gained significant momentum as a result of public concern over issues such as the Vietnam war, the American civil rights movement, South African apartheid, anti-nuclear protests, environmental concerns, and the growth in activist consumer groups (Entine 2003; Tippett & Leung 2001; Schueth 2003). The Pax World Fund, established in the United States in 1971, is widely recognised as the first modern ethical investment fund (Sparkes 2001).

**Methods of SRI**

Socially responsible investment is typically characterised in the literature as having four methods of implementation (Owen 1990). The most common, and oldest, method is the negative ‘sin’ screen characterised by the earlier SRI funds which screened based on religious principles. Negative screens involve avoiding (divesting) ownership of shares in any company which engages in practices deemed by the SRI investor to be unethical, anti-social, or damaging to the environment. Negative screens tend to involve single issue criteria which focus on particular undesirable products or industries (Schepers & Sethi, 2003). In the UK the leading SRI ratings agency, the Ethical Investment Research Service, provides a list of more than 300 negative (and positive) screening criteria to be utilised by fund managers in establishing SRI screens (Mackenzie 1998). Given the current diversification of business activity within modern multinational corporations, the arbitrary application of unidimensional screening criteria has resulted in exclusionary screening becoming somewhat problematic.

The second method of SRI is the positive screen where an investor chooses to invest in certain firms based on their history of good corporate citizenship and satisfaction of the specific SRI criteria important to the investor. Investors who select portfolios based on the SRI ratings given to corporations by professional rating firms such as Australia’s Reputex are conducting positive screening (Reputex 2007).
The third method of SRI is shareholder activism or engagement in which investors in a firm utilise their ownership power to directly influence corporations from within. Shareholder activism is already widely used by SRI proponents and can be conducted with a positive or negative strategic focus. Shareholder engagement is promoted in the UN’s PRI as the most effective method of SRI, where institutions utilise their large shareholding positions to influence change in corporate operational behaviour (UN 2006). It is argued that shareholder engagement by superannuation funds has the greatest potential to achieve improved levels of CSR as these large institutions can use their significant shareholdings to directly influence corporate behaviour and “request, and if necessary instruct, corporate executives to include social and environmental guidelines in their business objectives” (Sparkes & Cowton 2004, p.49). It is recognised in the literature that individual shareholders can also have an impact on corporate behaviour through shareholder action such as tabling resolutions and motions at company meetings as a means of highlighting social and environmental issues (Ethical Investment Association 2006).

The final method of conducting SRI recognised in the literature is the practice of community investing. Typically, when adopting this strategy, SRI funds will direct their investments towards providing low cost loans to targeted communities or invest in low return infrastructure projects that deliver community benefits. This mode of SRI is also referred to as socially directed investment (Owen 1990).

**The impact of SRI**

The impact of SRI can be viewed from the viewpoint of both the investor and the firm, and in both cases the evidence on the effectiveness of the various socially responsible investment practices is not conclusive. Capital markets theory is driven by the notion of an efficient market however if investors exclude stocks from their portfolios then the market will become segmented. Capital markets theory suggests that the effect of market segmentation would be to raise the cost of capital for the avoided firms hence lowering economic returns and ultimately lowering the share price and firm value (Angel & Rivoli 1997). Angel and Rivoli (1997) proposed a theory of investor exit to model whether negative screening divestment practices had an impact on the value of a firm. The premise of the study was that the avoidance of a corporations stock by a large group of investors would ultimately lead to the segmentation of the capital market, the loss of equilibrium, and a consequent increase in firm-specific risk (Merton 1987, cited in Angel & Rivoli 1997). As a result of this increase in risk, investors will require a higher rate of return in compensation and firm’s cost of capital will increase, driving firm value down. The study by Angel and Rivoli (1997) found that there is a cost to firms when a substantial number of investors exit as a result of SRI screening, however the result varied across industry sectors and size and type of firm.

Much of the research on socially responsible investment to date has reported on the comparative performance of SRI funds against the broader market measured on purely financial risk and return criteria (for example Hickman, Teets, & Kohls 1999; Gerrans, Kristoffersen, & Clark-Murphy 2004). Investment theory posits that constraints on the investment universe such as those typical under SRI should lower the returns achieved by investors. However, the results of the research have been
inconclusive with some studies recording comparatively higher returns by SRI funds and some lower.

Proponents of SRI argue that there is evidence that poor governance and unethical behaviour can damage shareholder returns. In recent times in Australia listed companies that have undergone governance or ethical controversy have suffered losses in their share price. For example, the listed share price of the National Australia Bank fell sharply during a recent crisis which involved poor governance and similarly attempts by the Australian-listed materials company James Hardie to avoid an ethical and moral obligation to the victims of its asbestos products also contributed to a rapid fall in the company share price. Strong governance and a commitment to social and environmental sustainability assist in a firm’s management of reputation risk and in the medium to long term can contribute to the lowering of the firms cost of capital and consequent increase in value.

The impact of shareholder activism and engagement brought about by SRI on achieving improved social outcomes is more difficult to measure. Whilst the increased influence of external stakeholders can be identified through the increased focus on CSR reporting by firms it is difficult to identify the impact of shareholders committed to improving social and ethical outcomes on the behaviour of the firm. One metric of shareholder activism measured by the Ethical Investment Association (2006) is the introduction of social and ethical shareholder resolutions at corporate shareholder meetings. Whilst there is no history of these resolutions being successful there is anecdotal evidence of their success in highlighting corporate shortcomings and achieving positive changes in corporate behaviour in the period following the resolutions being tabled (Ethical Investment Association 2006).

**Superannuation and SRI in Australia**

Since 1992 all employees in Australia are required by legislation to contribute a prescribed minimum proportion of their salaries and wages to superannuation (pension) funds that are non-redeemable until retirement (Superannuation Guarantee Administration Act 1992, as amended). With the advent of this compulsory superannuation most working Australians are now directly or indirectly participants in the Australian and international financial markets through their superannuation fund holdings. Superannuation funds, as trustees for their members’ investments, have become major investors in the Australian and international financial markets (Sparkes & Cowton 2004). The increasingly powerful position of superannuation funds as major investors in the Australian financial markets and as shareholders in large corporations has been reinforced by the introduction of the Superannuation Legislation Amendment (Choice of Superannuation Fund) Act 2004 which came into force on July 1st, 2005. This legislation gave employees the right to select the superannuation funds of their choice, including funds offering SRI. Prior to this legislation being enacted most employee superannuation fund members were locked into funds operated by their employers or an industry group. The freedom to choose funds gives superannuation investors the opportunity to select investments that best suit their needs. It is expected that this legislation will lead to a rapid increase in the development and marketing of niche superannuation investment products including funds claiming to be social funds.

In Australia the Financial Services Reform Act (2001) (effective 2004) contained provisions designed to mandate and improve the reporting of SRI and requires issuers of consumer investment products
to disclose if and how social considerations are used in investment portfolio construction. However, in Australia and internationally the identification of investment funds engaged in SRI is essentially self-declarative. A social fund is described as any “managed investment scheme that advertises its use of social, environmental, ethical or moral considerations” (Haigh 2006, p.2). The dangers inherent in allowing funds to self-declare their SRI status has been highlighted in recent criticism of the accuracy and transparency of the reporting and SRI screening carried out by Australian funds claiming to practice SRI (Australian Council of Super Investors 2005; cited in Gettler 2005). Despite the introduction of the Financial Services Reform Act (2001) which prescribed the disclosure of social considerations in investment products there has been little research into the form and criteria that such social considerations should take. Nor has there been any attempt to limit the current practice of self-declaration of social responsibility by companies promoting investment products (Haigh 2006). Research into the effectiveness of the reporting provisions found that more than half the investment funds surveyed failed to meet the disclosure requirements contained in the Financial Services Reform Act (2001) (Australian Council of Super Investors 2005; cited in Gettler 2005).

In Australia, investment portfolios managed under SRI criteria for 2005 were estimated to be A$7.67 billion which represented a 24-fold (2360%) increase in the 5 years from 2000 (Ethical Investment Association 2006). It is apparent that this growth in Australia mirrors the exponential growth that SRI is undergoing around the world (Dillenburg, Greene, & Erekson 2003; United Nations 2006). Whilst the proportion of social and ethical investment by Australian superannuation funds is currently less than 3% of the total amount under superannuation fund management (Haigh 2006), as major investors in many large corporations, superannuation funds have the potential to positively influence the behaviour of those corporations towards greater environmental, social and ethical responsibility. In Australia there has been a significant increase in SRI by superannuation funds (Ethical Investment Association 2006) and it is likely that a more proactive approach by these institutions towards voting their large shareholdings can only serve to increase the impact of SRI on corporate behaviour. By actively engaging with corporations through their share ownership and actively avoiding the potential negative impact on returns of poor environmental, social and governance performance by companies in which they invest, superannuation funds conducting SRI can claim to be satisfying the fiduciary duty owed to fund members.

Although there is considerable growth in SRI by superannuation funds, little research has been done in Australia or internationally on the factors that influence the satisfaction of superannuation fund members (McDonald, Viecell, & Darbyshire, 2003). Some limited research into the ethical considerations of share owners in Australia was carried out by Hanson and Tranter (2006) investigating whether unethical behaviour by a corporation would result in shareholder divestment. This research asked whether share owners were more likely to sell shares in companies involved in unethical practices and found relatively little impact on shareholder intentions and highlighted differences in behaviour on the basis of ethical dilemma, gender and political beliefs (Hanson & Tranter, 2006). The issue of whether superannuation fund members, who indirectly hold shares, would have a different response in comparison to direct shareholders is not resolved. A survey of superannuation fund members conducted on behalf of the Ethical Investment Association (EIA) identified that up to 49% of respondents would favourably consider ethical investment (EIA 2006)
however there appears to have been little formal research into the types of SRI preferred by superannuation fund members. Further, there has been little research into the role that superannuation fund members can play in directing their fund investment towards achieving socially responsible outcomes (Haigh & Hazelton 2004).

**Theoretical framework**

Over recent years there has been a significant upsurge in the practice of reporting CSR (Deegan 2002; Deegan & Gordon 1996) however, similarly with SRI, operationalising CSR as a construct is difficult because of the range of different meanings and contexts associated with the term (Garriga & Mele 2004). There are a wide range of theoretical approaches which can and have been utilised to explain the phenomena of CSR (Gray, Kouhy & Lavers 1995) and which may be extended to the consequent field of socially responsible investment.

It has been argued that studies into CSR can be categorised into three broad and, in some cases, overlapping theoretical paradigms which are decision-usefulness studies; economic theory studies; and social and political theory studies (Gray, Kouhy & Lavers 1995). Gray, Kouhy and Lavers (1995) argue that the studies based in social and political theory, in particular political economy theory, stakeholder theory, and legitimacy theory, seem to provide the richest theoretical context for the CSR phenomena. It can be argued that the stakeholder and legitimacy approaches are complementary rather than competing, each providing a different perspective of the phenomenon within a political economy framework (Gray, Kouhy & Lavers 1995).

The connection between stakeholder theory and the literature on CSR is long standing and was identified by R. Edward Freeman (1984) in his seminal work on the stakeholder approach to strategic management. Within the literature it is argued that stakeholder theory is an extension of agency theory in that the manager remains the nexus of the implicit and explicit contracts that make up the firm but which include more stakeholders as principals than simply shareholders (Jansson 2005). At its simplest, stakeholder theory adopts the viewpoint of firm management who recognise that firm survival dependent upon satisfying the expectations of a wider group of stakeholders. Stakeholder approval is thus sought and the activities and actions of the organisation adjusted to ensure approval is gained (Gray, Kouhy & Lavers 1995). Under the stakeholder theory framework CSR reporting forms part of the dialogue and engagement between the firm and its external stakeholders.

A normative theory of social investment which recognised the dual objectives of social investors to maximise economic returns whilst achieving social goals was proposed by Bruyn (1987; cited in Owen 1990). Bruyn (1987) developed the view of the economy as being an institutional part of society rather than as an immutable force bereft of social foundations. The focus of Bruyn’s (1987) theoretical model is that social investment should be used to advance structures that decentralise the authority and power in corporations away from traditional management structures towards broader stakeholder models including employee self management (Owen 1990).
Superannuation fund members are, through their fund investments, indirect holders of shares in corporations. However, traditionally, large institutional investors such as superannuation funds do not vote their shareholdings and deliver their proxies to the meeting chair. Superannuation funds do not poll their members to find out how members would wish to vote on any specific issue and generally ignore any corporate governance responsibilities that may pass to their shareholding. Superannuation fund members are a unique form of stakeholder in that the superannuation fund, guided by a trust deed, is interposed between the fund member as investor and the full rights of ownership.

Proposed Research Aims

The specific aim of the proposed research is to adopt a stakeholder approach within a critical realist research paradigm to:

- Identify the roles and level of influence superannuation fund members have in directing their fund investments based on socially responsible criteria;
- Identify the socially responsible investment methods and criteria important to superannuation fund members; and
- Develop a methodology by which the identified social and economic investment criteria of superannuation fund members can be prioritised and weighted.

Methodology and Research Plan

It is proposed that the planned research will be conducted within a critical realism paradigm. It is recognised that critical realism sits on a research methodological continuum between the positivist and interpretivist research approaches (Figure 1) and is capable of providing generalisable results within a rich context (Bisman 2002). It is planned that the research will include both quantitative and qualitative methodologies which aim to retain the rigour of a scientific approach whilst also including the richness and context of interpretive approaches. Critical realism is recognised as a paradigm capable of reconciling the two different methodological approaches and is suitable to accommodate the simultaneous adoption of multiple methods (Bisman 2002).
The research approach planned will utilise multiple case studies of industry based superannuation funds and multiple methods of data collection. The superannuation funds to be included have been limited to industry-based superannuation funds. The use of a research plan incorporating multiple case studies is considered superior as it satisfies the dual research purposes of theory development and replication (Eisenhardt, 1989). The adoption of a multiple method research paradigm allows for triangulation of data sets and results and overcomes the data-set or investigator survey bias that can be introduced by using only one research method (Oppermann, 2000). Triangulation refers to the use of either multiple investigators, multiple theories, accessing multiple sources of data, use of multiple research methods or any combination of these (Patton, 2002). Verification by triangulation is an important methodological feature in good qualitative research.

The proposed research is planned to be conducted in several stages. The initial stage planned is a preliminary scoping investigation to identify the extent, nature, and practice of SRI by industry superannuation funds in Australia. This initial stage of the research project will involve carrying out personal and telephone interviews with investment executives who are overseeing SRI investment portfolios working within, or for, identified industry superannuation funds. The interviews will attempt to identify whether, and in what manner, industry-based Australian superannuation funds identify and invest in socially responsible and ethical assets on behalf of their members. It is proposed that the interviews will be recorded and themes and constructs drawn out identifying the dimensions of SRI from the perspective of the investing funds.
The following stage of the planned research project again adopts a qualitative approach in order to develop and understand the criteria used by superannuation fund members as investors’ to evaluate socially responsible investment performance. This second stage of the research will involve several focus group interviews of superannuation fund members interested in SRI aimed at identify the criteria and SRI methodology important to them. Focus group discussions are effective means of developing rich data to describe the dimensions of SRI from the investors’ viewpoint. It is envisaged that the superannuation fund members participating in the focus groups will be identified and selected from the industry funds that have agreed to participate.

The final stage of the proposed research is the planned quantitative development of a model of SRI for superannuation fund members. A successful exponent of SRI achieves a balance between achieving the income goals from their investment whilst satisfying their need to contribute to society. It is proposed that complex choice problems such as those facing a superannuation fund member wishing to engage in SRI are best solved by choice modelling techniques. Multi-criteria decision analysis (MCDA) statistical techniques are specifically designed for choice modelling and are relatively widely utilised in both research and commercial contexts.

It is proposed that the quantitative data collected from superannuation fund members in this planned research will be analysed using the MCDA technique known as the Analytic Hierarchical Process (AHP) (Saaty & Vargas 2002). AHP is described as a general theory of measurement and a basic approach to decision making designed to deal with intangible and tangible criteria. Using AHP the survey respondent is required to carry out simple pairwise comparison judgements which are used to derive ratio scales and develop overall priorities and rank alternatives.

The findings of the two planned initial qualitative studies into SRI criteria will be used to develop broadly defined and identified constructs of SRI for superannuation fund members and the development of an AHP questionnaire and will inform the development of a problem hierarchy. The questionnaire will be test surveyed to identify any potential shortcomings in the instrument for correction. The questionnaire will be administered by mail to members of participating industry superannuation funds who will be randomly and anonymously selected by their superannuation funds. The eventual ranking of the different SRI criteria identified will be quantitatively developed using the data from the questionnaire and the AHP.

**Limitations**

This paper details for analysis and discussion an embryonic research proposal. There are a number of limitations to the proposed project, in particular with relation to the development of an AHP problem hierarchy and identification of appropriate SRI criteria. A critical limitation is the dependence of the research on access to staff and the members of industry based superannuation funds. It is likely that further limitations relating to sampling and data collection may become apparent as the research is undertaken.
Conclusion
Superannuation fund members are obvious and critical stakeholders of superannuation funds, owed a fiduciary duty by their fund trustees. Utilising stakeholder theory it can be argued that superannuation fund members have the right to direct their fund investments and to direct their superannuation fund representatives to act on their behalf as direct shareholders. A broader view of investment recognises that for some investors’ economic performance is not the only desirable outcome from investment and that many investors’ are interested in investments that simultaneously achieve social outcomes. It follows that superannuation funds should be achieving the dual investment goals of their SRI motivated members by utilising their primacy as large shareholders to influence the behaviours of firms through the most appropriate mode of SRI available, given the differing characteristics of firms and their relative investment holdings.

By identifying and analysing the SRI criteria currently being used by the superannuation industry, gathering input from fund members and superannuation investment professionals, an understanding of the expectations (financial and otherwise) of fund members interested in SRI can be developed. By employing a multi-criteria decision analysis tool such as the Analytical Hierarchical Process (AHP) a weighted model of the determinants of socially responsible investment from a superannuation fund member’s perspective may be developed and empirically tested. Such a model would inform whether any conflict exists between the current social investment policies and practices of superannuation funds and the SRI preferences of their members’ and make an important contribution to the theory and practice of SRI by superannuation funds in Australia.
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