



**ALLIANCE FOR
GAMBLING REFORM**

Australian Superannuation Fund Investments in Gambling

ALLIANCE FOR GAMBLING REFORM
POSITION PAPER

September 2023

Contents

EXECUTIVE SUMMARY	1
RECOMMENDATIONS	2
BACKGROUND	2
Gambling harm in Australia	2
Gambling company activity in Australia	3
Superannuation funds in Australia	6
CONCLUSION	10

EXECUTIVE SUMMARY

Australians lose over \$25 billion each year to gambling, the highest per capita spend in the world. These losses are disproportionately experienced by the people who can least afford it – people living with financial and other forms of stress, and people with mental health issues and addiction problems.

Gambling harm is a massive public health issue, linked to poor physical and mental health, poverty and homelessness, criminal activity, family violence, and suicide. The majority of Australians recognise the harms caused by gambling, yet they are often unwittingly buying into gambling, through their superannuation funds.

Many Australians would be shocked to learn that billions of dollars from their retirement savings are being poured into companies which profit from gambling harm. It is currently very hard for most people to know exactly what their super is invested in. Under laws enacted in 2022, superannuation funds now have to make biannual public portfolio holdings disclosures, but the way this information is released and presented makes it almost unusable for members of the public.

The Alliance for Gambling Reform believes that Australians deserve to be properly informed about how their compulsory superannuation is being invested, so they can make real choices about the industries and activities their money supports.

The Alliance has identified the need for a centralised source of clear, user-friendly information about superannuation funds investments, so fund members can make informed investment choices, and can vote with their feet if their funds are investing in harmful products that clash with their values.

Contributing to superannuation is mandatory for working Australians, but it shouldn't be mandatory to contribute our retirement savings to companies that profit from gambling harm. Australians need a real choice about where our super is invested. It's our money, and it should be our say.

RECOMMENDATIONS

The Alliance for Gambling Reform calls on the Federal Government to:

- Introduce an improved public disclosure regime for superannuation funds. This regime should be designed to enable members of the public to readily identify the equities which are held by each superannuation fund, and should require flagging of equities held in companies which engage in activities of potential ethical concern to fund holders, including (but not limited to) gambling-related activities.
- Fund an independent agency to undertake and publish user-friendly, consumer-oriented certification and ratings of superannuation products, to allow ready consumer comparison of offerings, including on an ethical basis.

BACKGROUND

Gambling harm in Australia

Australians spend an estimated \$25 billion per year on gambling, and almost half of those who gamble are at risk of gambling harm¹. Gambling harm has become a major public health issue in Australia. Of particular concern are the serious harms caused by poker machines (electronic gaming machines, or EGMs)², and the rapid increase in online gambling, which also causes serious harm to many participants, and which is emerging as a pathway into gambling for children and young people³.

Harm from gambling includes relationship difficulties (links to family violence), health problems (depression, anxiety), emotional and psychological distress, individual/family financial problems, issues with work or study, cultural problems and criminal activity and unfortunately also gambling-related death by suicide.

¹ Australian Institute of Family Studies: Australian Gambling Research Centre (March 2023). *Gambling participation and experience of harm in Australia*. https://aifs.gov.au/sites/default/files/2023-03/2302_1_gambling-in-Australia.pdf

² Alliance for Gambling Reform Poker Machines Fact Sheet: https://www.agr.org.au/files/ugd/f3b93a_e7ca0340bb5045408520b4a1cf36cba7.pdf

³ See recent report from the Parliamentary Inquiry into online gambling, *You win some, you lose some more*. https://www.aph.gov.au/Parliamentary_Business/Committees/House/Social_Policy_and_Legal_Affairs/Onlinegamblingimpacts/Report

The impact is borne by many individuals, families, workplaces, communities, our justice systems, hospitals, schools, our safety, productivity and wellbeing.⁴ The evidence of this gambling-related harm in Australia is well established through extensive research⁵.

The Australian community is becoming increasingly aware of and concerned about gambling harm. In a recent survey, most Australians expressed concern about the availability of gambling and its impacts on the community, believing that there are '*too many opportunities for gambling nowadays*' (77%) and that gambling is '*dangerous for family life*' (68%) and '*should be discouraged*' (59%)⁶.

Gambling company activity in Australia

A range of Australian and international companies are active in the Australian gambling market. Major companies of interest include Aristocrat Leisure Limited; Blackstone Inc, which acquired Crown Resorts Limited in June 2022; Endeavour Group Limited; Entain plc; Flutter Entertainment plc; The Lottery Corporation Limited; SkyCity Entertainment Group Limited; The Star Entertainment Group Limited; and Tabcorp Holdings Limited. Between them, these companies account for the bulk of EGM, online gambling, casino and other gambling activity in Australia.

These companies, whilst profiting from gambling harm, typically make public claims of their commitment to address and mitigate this harm. For example:

- Aristocrat Leisure, the largest gambling machine manufacturer in Australia, and second largest in the world, made a profit of over \$1 billion internationally in the 2022 financial year. The group manufactures, sells, and leases EGMs, and is increasingly moving into online gambling – two of the largest sources of gambling harm. Yet the company claims that they “...continued to execute against our ambitious Environmental, Social and Governance commitments”, and “made meaningful progress in our responsible gameplay (RG) agenda”⁷.

⁴ https://www.agr.org.au/files/ugd/f3b93a_605ed81b8dd94f7aa2eb5a468fa14098.pdf

⁵ See for example multiple publications from the Australian Gambling Research Centre, <https://aifs.gov.au/research/project%5B3271%5D=3271>.

⁶ Australian Institute of Family Studies: Australian Gambling Research Centre (March 2023). *Gambling participation and experience of harm in Australia*. https://aifs.gov.au/sites/default/files/2023-03/2302_1_gambling-in-Australia.pdf

⁷ Aristocrat Leisure 2022 Annual Report. <https://ir.aristocrat.com/static-files/e3472350-41d7-40fa-bd27-5d09b643b64e>.

- The Star Entertainment Group, which owns and operates the Treasury Casino and Hotel in Brisbane, the Star Gold Coast, and the Star, Sydney, had extremely adverse findings made against it in 2022 reports of inquiries into its operations in NSW⁸ and Queensland⁹. The inquiries found that Star misled regulators, failed dismally in its anti-money laundering obligations, and knowingly exposed patrons to gambling harm. Star now claims it is “embracing change across our organisation to address issues raised in recent reviews by our regulators”¹⁰ and has been allowed to continue operating its casinos despite license suspensions.
- SkyCity, which operates several casino complexes in New Zealand and one in Adelaide, and is moving into the online gambling market, claims to take its “responsible gambling” and anti-money laundering responsibilities seriously¹¹. However, in December 2022 AUSTRAC commenced proceedings against SkyCity Adelaide, after its investigations found that SkyCity failed to carry out appropriate customer due diligence, and failed to develop and maintain a compliant anti-money laundering and counter-terrorism financing program¹². The regulator estimated that \$4 billion in dirty cash had been laundered through SkyCity’s Adelaide gaming rooms¹³. SkyCity has acknowledged that it has identified areas where “enhancements” to its compliance programs may be “required or appropriate”¹⁴.
- Crown Resorts (now acquired by private equity firm Blackstone), which owns and operates several casinos and has online gambling interests including wholly owning Betfair Australasia, has also fallen foul of the regulators. A Royal Commission into the operations of Crown Casino in Melbourne¹⁵ made unequivocally adverse findings: “...for many years, Crown Melbourne had engaged in conduct that is, in a word, disgraceful... variously illegal, dishonest, unethical, and exploitative.” The Royal Commission documented extensive failings but stated that: “Perhaps the most

⁸ <https://www.nsw.gov.au/star-unsuitable-to-hold-casino-licence>.

⁹ <https://www.publications.qld.gov.au/ckan-publications-attachments-prod/resources/7d676433-015d-49fc-8cb9-57de41eefef6/external-review-of-the-queensland-operations-of-the-star-gotterson-report.pdf?ETag=0af0d23d8028b0131fa2105498460162>.

¹⁰ Star Entertainment Group 2022 Annual Report. <https://www.starentertainmentgroup.com.au/wp-content/uploads/2022/10/2022-Annual-Report.pdf>.

¹¹ <https://www.skycityentertainmentgroup.com/our-commitment/responsible-gambling>

¹² <https://www.austrac.gov.au/news-and-media/media-release/austrac-commences-federal-court-proceedings-against-skycity-adelaide>

¹³ <https://www.afr.com/companies/games-and-wagering/austrac-sues-skycity-for-money-laundering-20221207-p5c4a9>

¹⁴ SkyCity Entertainment 2022 Annual Report, pp 5-6, *op.cit.*

¹⁵ Royal Commission into the Casino Operator and License, October 2021.

<https://content.royalcommission.vic.gov.au/sites/default/files/2021-10/The%20Report%20-%20RCCOL%20-%202015%20October%202021.pdf>

damning discovery by the Commission is the manner in which Crown Melbourne deals with the many vulnerable people who have a gambling problem... Crown Melbourne had for years held itself out as having a world's best approach to problem gambling. Nothing can be further from the truth". Yet Crown has been allowed to continue to operate its casino businesses, based on assurances of remediation: "Crown has apologised for the failings identified through these various regulatory processes and we are committed to doing everything in our power to redress them and earn back confidence and trust..."¹⁶.

- Endeavour Group, an Australian alcoholic drinks retailer, hotel operator, and poker machine operator spun off from Woolworths Group in 2021¹⁷, is the leading operator of EGMs in Australia, with 12,539 EGMs in 300 hotels in 2022. In 2022 the group made a profit of almost half a billion dollars, a financial result which "benefitted" from "solid contributions from gaming" amongst other things. Despite the known links between EGMs and gambling harm, the group claims: "We've made progress, particularly in relation to the responsible service of alcohol and gaming. We went above and beyond regulatory obligations..."¹⁸.
- Flutter Entertainment, which is expanding rapidly in the online gambling market through Sportsbet and other platforms, and Entain, which has the third largest share of Australian online gambling, both make similar claims to "lead on responsibility"¹⁹²⁰. Such claims are belied by the recent Parliamentary Inquiry into online gambling, which documented the large and rapidly growing social costs of online gambling in Australia²¹.

These examples point to a clear pattern where companies that profit from gambling harm and in some cases fail to meet basis compliance standards have been allowed to continue operating with seeming impunity, based on claims that they have changed their ways or are mitigating harm.

¹⁶ Crown Entertainment Group, *2021 Annual Report*, *op cit*, p.2.

¹⁷ https://en.wikipedia.org/wiki/Endeavour_Group.

¹⁸ https://assets-global.website-files.com/63376b94b708b416ace71770/6357cde1be6b5c02937e2f05_2022_Annual%20Report.pdf.

¹⁹ Flutter Entertainment plc, *Annual Report & Accounts 2022*. <https://www.flutter.com/investors/2022-annual-report/>

²⁰ Entain, *2022 Annual Report*. https://entaingroup.com/2022annualreport/documents/Entain_Annual-report-2022.pdf

²¹ https://www.aph.gov.au/Parliamentary_Business/Committees/House/Social_Policy_and_Legal_Affairs/Onlinegamblingimpacts/Report

Superannuation funds in Australia

Who controls the retirement savings pool, and how big is the pool?

Some of the largest funds in Australia (measured by number of members and/or funds under management) include the industry funds Australian Super, Aware Super, REST, Hesta, HOSTPLUS, QSuper, UniSuper, and Sunsuper; the public sector funds PSSS and CSS; and the retail funds Colonial First State, MLC, Retirement Wrap, Super Directions, and Retirement Portfolio Service²².

The Australian retirement savings pool is one of the largest in the world, totalling \$3.3 trillion in June 2022, and this pool is projected to more than double by 2040. Of this \$3.3 trillion, \$2.4 trillion is held by institutional funds (industry funds, retail funds, corporate funds, and public sector funds), and the remaining \$0.9 trillion sits with SMSFs, which are the fastest growing sector²³.

The way this massive pool of funds is invested clearly has huge commercial significance.

Do super fund holders know how their money is invested?

It has been (and to a large extent continues to be) difficult for superannuation fund holders to know just how their funds are invested.

Requirements for portfolio holdings disclosures were introduced in March 2022 through legislation intended to improve transparency in the superannuation sector. Super funds are now required to release information twice yearly, listing the fund's complete holdings, including the percentage and value of every stock held. However, as one finance commentator has observed:

"... super funds aren't obliged to provide this information in a consistent, easily understandable way. For a non-expert who doesn't know what to look for, the level of detail can be mind-boggling. You may find yourself scrutinising a spreadsheet listing thousands of items... if your concern is to avoid investing in some specific activity such as in mining fossil fuels or gambling, you'll need to know the companies and other assets you want to avoid for this to be helpful."²⁴

²² <https://www.canstar.com.au/superannuation/largest-super-funds/>. Based on APRA data current for 30 June 2020, released December 2020.

²³ ASFA, op cit.

²⁴ <https://theconversation.com/how-do-i-find-out-what-my-superannuation-fund-invests-in-a-finance-expert-explains-188802>

Do super fund holders care how their money is invested?

Available data indicates that Australians are becoming more attuned to ethical investing, and that people do care about how their super funds are invested. The Responsible Investment Association Australasia (RIAA) champions “responsible, ethical and impacting investing” across Australia and New Zealand²⁵. A recent survey of over 1,000 Australians, commissioned by RIAA²⁶, found that:

- Four out of five Australians (83%) expect their bank account and their super to be invested responsibly and ethically.
- Three quarters of the population seek full holdings disclosure – that is, they want to know which companies their investments are backing.
- Three quarters (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.
- Superannuation funds top the list of financial products that consumers most want to see invested responsibly.
- Gambling is in the top 7 social and environmental issues consumers want to avoid in their investments, with almost half (48%) nominating gambling as an important issue to avoid.

However, the desire of many Australians to invest their funds ethically is challenged by the growth of “greenwashing”, defined by ASIC as “the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical. Greenwashing distorts relevant information that a current or prospective investor might require in order to make informed investment decisions”²⁷.

²⁵ <https://responsibleinvestment.org/wp-content/uploads/2021/09/RIAA-StrategyFY22-24.pdf>.

²⁶ RIAA, 2022. *From values to riches 2022: Charting consumer demand for responsible investing in Australia*. https://responsibleinvestment.org/wp-content/uploads/2022/03/From-Values-to-Riches-2022_RIAA.pdf.

²⁷ ASIC, Information Sheet 271: *How to avoid greenwashing when offering or promoting sustainability-related products*. <https://asic.gov.au/regulatory-resources/financial-services/how-to-avoid-greenwashing-when-offering-or-promoting-sustainability-related-products/>

Australian superannuation fund holdings in gambling-related companies

The introduction of portfolio holdings disclosure requirements, while far from perfect, has at least enabled some media scrutiny of super fund holdings in gambling. In November 2022 Guardian Australia published the results of its investigations into superannuation fund holdings in gambling companies, based on its analysis of the portfolio holdings disclosures of the ten largest funds as at 30 June 2022²⁸. Its analysis found that Australia's biggest superannuation funds had holdings of more than \$4.2 billion in the gambling industry, including pokies manufacturers, casino operators, and lottery companies among others. The ten biggest funds all invested in Aristocrat Leisure, owning a total of at least \$1.67 billion worth of shares.

The Guardian Australia analysis focused particularly on AustralianSuper, Aware Super, and to a lesser extent, Rest. It found that AustralianSuper had increased its holdings in Aristocrat over the past year, and that its most popular fund ("Balanced") held nearly \$921 million in Aristocrat, \$624 million in Endeavour, \$148 million in Tabcorp, \$661 million in Lottery Corporation, \$103 million in SkyCity, and \$4 million in Star. AustralianSuper's "Socially Aware" option and Rest's "Sustainable Growth" option both held Endeavour Group shares; and AustralianSuper's "Socially Aware" option also held shares in Aristocrat Leisure and casino operators. Aware Super was also a big holder of gambling stocks, including Aristocrat and Endeavour.

The article quoted a response from Australian Super, indicating the fund had been "actively engaging" with gambling companies "to understand the initiatives they have to ensure high standards of responsible gaming and appropriate governance practices are in place"; and a response from Aware Super stating that "members with ethical concerns around the gambling sector can choose one of our socially responsible investment options".

The funds featured by Guardian Australia are far from unique in holding gambling-related equities. For example, the Alliance has analysed Hesta's ready-made super portfolio holdings at 30 June 2023, as listed in its portfolio holdings disclosures. Hesta is a major Australian industry super fund which now has over 1 million members, particularly concentrated in the health and community services industries. Our analysis found that at 30 June 2023, even excluding its increasing holdings in Blackstone (the private equity firm that acquired Crown), Hesta held more than \$351 million in equities

²⁸ <https://www.theguardian.com/australia-news/2022/nov/15/socially-aware-superannuation-funds-among-those-investing-billions-in-gambling-industry>

in gambling-related companies in its ready-made super funds. This included over \$198 million in Aristocrat Leisure Ltd, over \$51 million in Endeavour Group, and over \$39 million in Flutter, amongst others. Hesta's total holdings in gambling-related companies actually increased over the 6 months since its previous mandatory reporting date, with reductions in holdings in some stocks more than outweighed by increases in holdings in companies such as Aristocrat Leisure, Entain, Sky City, and Flutter. In fact, over the 6 months from 31 December 2022 to 30 June 2023, Hesta increased its holdings in Aristocrat Leisure – the largest gambling machine manufacturer in Australia, and a growing player in online gambling – by a whopping \$36 million.

Despite this, Hesta promotes itself as having a strong focus on responsible investment:

“Super with impact is the positive outcome we create by supporting our members to face the future with confidence, being a gutsy advocate for a fair and healthy community, and delivering investment excellence with impact.”²⁹

So, like the gambling companies quoted earlier, superannuation funds also engage in public relations messaging that could be seen to amount to greenwashing. RIAA research indicates that Australians are attuned to the threat of greenwashing, and that 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 party³⁰. It is notable, however, that RIAA's own *Responsible Investment Super Study 2021*³¹ included among its list of 13 super funds which they said demonstrated “leading responsible investment practice” funds such as AustralianSuper, Aware Super, Rest and Hesta, all of which, as outlined above, have significant holdings in gambling-related companies.

There is a strong argument that ratings and certification of superannuation products need to be undertaken by an independent agency which is not linked to or in receipt of funding from the sector.

²⁹ <https://www.hesta.com.au/about-us/super-with-impact>

³⁰ RIAA, 2022. *From values to riches 2022: Charting consumer demand for responsible investing in Australia*. Op cit.

³¹ RIAA, 2021. *Responsible investment super study 2021*.
<https://responsibleinvestment.org/resources/super-study/>

CONCLUSION

Superannuation funds top the list of financial products that consumers most want to see invested responsibly. Yet we now know that Australia's biggest super funds are pouring billions of dollars into the gambling industry. Profiting from misery is not what their fund members want or expect.

It is unacceptable for super funds to claim – as some do – that by investing in gambling companies they can bring influence to bear to reduce gambling harm. We have not seen any evidence to support this claim.

The current portfolio disclosure requirements regime is patently inadequate as a tool for enabling Australians to readily identify which equities superannuation funds are invested in, and to make informed choices about how their retirement savings are invested.

The Alliance for Gambling Reform calls on the Federal Government to urgently enact improved superannuation fund portfolio holdings disclosure requirements, and to fund independent agency rating and certification of superannuation products.



**ALLIANCE FOR
GAMBLING REFORM**

Our Community House,
552 Victoria St, Wurundjeri Country,
North Melbourne 3051, VIC
p. (03) 9999 7372 | f. (03) 9347 9933
e. info@agr.org.au

For all media enquiries, please contact
0491 209 436 | media@agr.org.au

