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| 24 December 2020  Manager  Retirement Income Policy Division  The Treasury  Langton Crescent  Parkes ACT 2600 |  |

**Your Future, Your Super package – Best Financial Interests Duty**

Social Ventures Australia (SVA) welcomes the opportunity to respond to the exposure drafts of legislation for implementation of the Government’s Your Future, Your Super package. We write to comment on the Best Financial Interests Duty element of the package.

SVA is a non-profit organisation, and the largest dedicated player in the Australian social impact investing (SII) market, across social impact bonds, social enterprises, and housing projects. We currently have $150 million funds under management. We have worked over many years to support the Government’s goal of growing SII in Australia, including most recently through extensive engagement with the Prime Minister’s Social Impact Investing Taskforce.

As the Australian Government noted in the terms of reference for the Taskforce, ‘*Catalysing the [SII] market […] has the potential to provide a comprehensive federal-wide mechanism to address complex social issues.*’ We believe that government should recognise the potential for superannuation funds to create value for their members, investors, and the Australian public, by investing in assets that create social value while delivering appropriate risk adjusted financial returns.

To date, superannuation funds have been an important source of capital for the SII market, and their role is expected to grow. We are concerned that the proposed changes to the Best Financial Interests Duty could have a chilling effect on the willingness of superannuation funds to engage in SII. While the Taskforce’s interim report found that SII can generate risk-adjusted market rate returns, and we note the material in the Explanatory Memorandum that the proposed change ‘*does not preclude investments that also yield nonfinancial benefits*’, our experience suggests that the potential for increased scrutiny in this area could deter superannuation funds from engaging in SII, even when there are strong financial and non-financial benefits on offer to all involved parties.

We understand that the Taskforce has provided its final report to government, including recommendations related to clarification of directors’ interests and duties in relation to SII. We encourage the government to consider the proposed changes to the Best Financial Interests Duty in the context of the Taskforce’s recommendations, to ensure that the two initiatives are not working at cross-purposes.

We thank you for the opportunity to respond to these exposure drafts and would welcome the opportunity to discuss this matter further.

Yours sincerely,

Patrick Flynn

Director, Policy and Advocacy

**About SVA**

SVA is a not-for-profit organisation that works with partners to overcome disadvantage in Australia, which requires great education, sustainable jobs, stable housing and appropriate health, disability and community services. SVA has a vision for Australia where all people and communities thrive and believe that this will be achieved when all Australians are empowered, have a voice in decisions that impact them, have a sense of belonging and experience social inclusion. SVA believes that belonging for all Australians requires, and is enabled through, specific recognition and respect of First Nations knowledge and cultures.