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## Ethical super rules against sole purpose test

### **Ethical issues should not be mandatory**

Wouter Klijn

Mon 26 Oct 2009

Binding self-managed super funds (SMSFs) to ethical investment rules would be in conflict with the sole purpose test, according to law firm Townsends Business & Corporate Lawyers.

Under the sole purpose test the only role of a super fund is to maximise the member's retirement benefits and the inclusion of ethical considerations is an extraneous matter, the law firm said in its submission to the Cooper inquiry.

The inquiry could lead to new legislation that binds super funds to ethical investment guides, such as the UN Principles for Responsible Investment, the firm said.

"The sole purpose test is about saving for retirement, not about using superannuation for government policies," Townsends senior counsel Michael Hallinan said.

Besides, binding SMSFs to an ethical investment guide would lead to additional costs and therefore this should be voluntary, he said.

Additional requirements would unlikely be popular with SMSF investors, Hallinan argued.

"People who establish an SMSF do so to establish control over investments. If the government introduces restrictions this would undermine the self control element," he said.

The inquiry is currently seeking submissions to the first phase of the review.

Hallinan said more issues that would affect SMSFs specifically are expected in the third phase of the review, and the firm plans to make another submission at a later date.

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