

VICSUPER SUSTAINABILITY COVENANT

FIRST YEAR REVIEW – JUNE 2004

Publication 1002

OVERVIEW

The VicSuper Sustainability Covenant was signed in May 2003. This report covers the reporting period from May 2003 to 30 June 2004, which is just over 12 months, bringing the next reporting period in line with the financial year.

As well as providing some background on the development and aims of this agreement, it presents a review of the activities, initiatives and outcomes reached during this period.

BACKGROUND TO THE COVENANT

EPA Victoria and VicSuper jointly developed the VicSuper Sustainability Covenant. The covenant is a two-year agreement to work together to protect the environment and contribute to a more sustainable superannuation industry. To date, the covenant has generated a range of benefits for both organisations.

For VicSuper, the benefits experienced from addressing environmental and social issues in decisions affect all stakeholders, including staff, members, employers and the broader community.

The covenant has ensured that all outcomes are regularly reviewed, that regular sharing of

information has occurred between both organisations and that commitments undertaken under the covenant are also assessed regularly. This report is produced as part of the commitments made in the covenant.

AIMS OF THE VICSUPER SUSTAINABILITY COVENANT

As well as agreeing to work with EPA to improve sustainability outcomes, the VicSuper covenant seeks to ensure that VicSuper, as part of the financial services sector, has a positive impact on society and the environment that reaches far beyond the impact of its own operations.

‘VicSuper undertakes to increase the efficiency with which it uses resources to produce its products and services and reduce the ecological and social impact of those products and services. Sustainability principles will be applied to internal operations, member services such as superannuation advice, administration, communications and education, and to professional relationships and the supply chain.’ (VicSuper Sustainability Covenant, p.2)

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EPA continues to believe that the superannuation industry as a whole will benefit from the initiatives that VicSuper is undertaking and anticipates that the industry will be able to increase its resource use efficiency and reduce its ecological impact as a result.

More specifically, the covenant entered into between VicSuper and EPA aims to:

- provide statutory recognition to the leadership VicSuper is displaying in the superannuation industry through its sustainability program
- put in place a framework to enable VicSuper to continue to maximise current sustainability practices and future sustainability opportunities
- encourage further developments in this area and thereby assist in moving the rest of the superannuation industry further towards best sustainability practices and products.

The covenant aims to achieve these goals over a two-year period.

HIGHLIGHTS OF THE COVENANT'S FIRST YEAR

Within the first year of the covenant, both VicSuper and EPA achieved a number of beneficial outcomes in relation to the covenant's aims. As highlighted below, these outcomes include reduced waste output, reduced greenhouse gas emissions and increased funds under management in 'sustainability leaders'.

The covenant has at its core a number of key commitments and related proposed actions that are specific to both VicSuper and EPA. Many of the results achieved during the year relate to these commitments. In addition, there were a number of outcomes not specifically outlined in the agreement itself but that also contributed to an improvement in resource use efficiency and a decrease in ecological impact.

These are discussed alongside the results that relate directly to the covenant's commitments, and both qualitative and quantitative data is presented. Major results and achievements are detailed below, along with some of the proposed actions that have not yet been achieved, and relate to each of the commitments as agreed to by each party.

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VICSUPER'S PROGRESS AGAINST ITS COMMITMENTS

Commitment 1: Integrate sustainability principles into investment options and administration

Achievements

- ❖ *Eight per cent increase in the funds invested through Colonial First State Property (CFSP). CFSP integrates sustainability into the management of the properties in its 'DPIF Office Sector 2' Fund.*
 - ❖ *111% increase in Funds Under Management in the SAM Sustainability Leaders Fund.*
 - ❖ *380% increase in Funds Under Management in the Equity Growth Sustainability Option as a result of VicSuper member investment choice.*
 - ❖ *123% increase in the number of VicSuper members choosing the sustainability investment option. 0.47% of all members now choose this option.*
- Successfully engaged with Colonial First State Property (CFSP) to integrate sustainability into the management of the Direct Property Investment Fund. CFSP now reports quarterly on the sustainability performance of its properties.
 - VicSuper's first regional advice centre was opened in Geelong on 1 July 2003.
 - VicSuper encouraged SAM, a sustainability-focused asset management company, to establish two venture capital funds for Australian investors. Part of a leading European sustainability-focused asset management

company, SAM will seek investment opportunities in early and expansion-phase companies located in Australia in emerging energy, resource productivity, healthy nutrition and water. The funds were announced in November 2003.

- VicSuper became a signatory to the Carbon Disclosure Project in October 2003.
- Examination of two innovative investment opportunities commenced in:
 1. plantation forestry
 2. ecosystems services.
- A Corporate Governance compliance and procedures manual review was approved by the Trustee in June 2004. In addition, the business risk assessment review included climate change for the first time in May 2004.
- Sustainability is being further integrated into the Performance Review and Development System of staff under the Certified Agreement.

Proposed actions that are yet to be achieved

- Conducting of annual or more frequent meetings with all VicSuper fund managers and asset consultants regarding progress of the integration of sustainability into investment portfolios.
- The Investments team have attended a number of seminars on affordable housing and have been closely watching the area. No viable opportunities presented themselves within the first year of the covenant.

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Commitment 2: Integrate sustainability principles into VicSuper policies and supplier contracts

Achievements

- VicSuper conducted a review into the ‘sustainability features’ of the vehicles used by its Regional Advice centre staff. The recommendation from the review was to purchase three Ford Focus cars for its Geelong advice centre as a result of Ford being rated as a sustainability leader by SAM Sustainable Asset Management.
- A new certified agreement that became effective in December 2003 included a range of initiatives that will help to create a more rewarding work environment for staff.

Proposed actions that are yet to be achieved

- The updating of all VicSuper policies to integrate sustainability principles.
- The incorporation of minimum sustainability criteria expected from suppliers and their business operations into all business contracts.

Commitment 3: Conduct regular internal and external sustainability reporting

Achievements

- The monthly operating plan report and staff meetings were restructured to report on economic, environmental and social parameters in early 2003.
- VicSuper participated in a WWF workshop on developing a scorecard for sustainability reports in the finance sector in December 2003.

- VicSuper attended and provided input into the GRI Stakeholder Regional meeting for Australia in February 2004.
- Sustainability and sustainability investing information was integrated into all Product Disclosure Statements by June 2004.
- The 2004 VicSuper Sustainability Report was drafted by June 2004 and was due for release at the end of September.

Commitment 4: Increase VicSuper’s level of community involvement

Achievements

- ❖ *VicSuper entered into a partnership with LIFEGift, an organ donation awareness organisation, increasing the number of partnerships it holds to one.*
- ❖ *67% increase in the number of activities that staff participated in within the community.*
- ❖ *VicSuper now keeps a record of funds donated by staff and, at 30 June 2004, an amount of \$1019.80 had been raised.*
- As part of the new Certified Agreement that became effective in December 2003, a new policy will provide staff with up to three paid days for community work to match unpaid days done in staff’s own time.
- A community strategy was drafted in March 2004 for inclusion in the policy that will run concurrently with the Certified Agreement.
- The staff of the Geelong Advice Centre (GAC) met with a representative from the community organisation United Way Geelong in June 2004

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to determine ways in which they can better contribute to the Geelong community.

Proposed actions that are yet to be achieved

- Integrate community involvement into staff training and development.
- Develop programs that provide members and participating employers the opportunity to become involved in sustainability initiatives in the community

Commitment 5: Provide regular and relevant stakeholder communication and education

Achievements

- Sustainability was an important theme in the 2003 VicSuper member reports, sent to all 178,000 VicSuper members in August/September 2003.
- VicSuper's experience with the Eco-footprint was presented as a case study for Eco-footprint Week at the Western Region Environment Centre in November 2003.
- Bob Welsh presented on sustainable finance at the UNEP FI Global Roundtable in Tokyo, Japan in October 2003, and at the Gold from Green Forum Conference organised by Environment Australia in November 2003.
- In October, VicSuper was awarded an honourable mention in the Premier's Business Sustainability Award for its sustainability covenant.
- A staff sustainability training strategy was drafted. The strategy includes specific training for FROGS (VicSuper's internal sustainability

team members), for advisers and for induction training.

- In its staff induction process VicSuper addresses sustainability when covering the Certified Agreement and when talking about VicSuper's Central Operating Principle. VicSuper also covers the role of FROGS and its green office practices.
- Staff sustainability training has been rolled out to all VicSuper authorised representatives in June 2004. This equates to approximately 30–40% of VicSuper staff.

Proposed actions that are yet to be achieved

- Undertake research to identify a baseline level of awareness of sustainability amongst members and monitor changes in awareness levels over time.
 - Develop specialty sustainability presentations for VicSuper's superannuation advisers.
 - Develop methods to communicate sustainability principles to other stakeholders such as suppliers and professional associates.
- No strategy was developed, but the launch of the CDP report and the formation of the proposed Australian and New Zealand Investors Group on Climate Change will contribute to spreading the sustainability message to a variety of stakeholders.

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Commitment 6: Provide avenues for the provision of information on corporate sustainability practices to the broader community

Achievements

- Bob Welsh spoke at the launch of 'Zero Waste Week' in October 2003.
- The 'Big Picture' Report was released in May 2004. VicSuper contributed an article on sustainability in property, co-authored by Colonial First State Property.
- Bob Welsh presented on sustainable finance at the UNEP FI Global Roundtable in Tokyo, Japan in October 2003.
- VicSuper won two Banksia Environmental Awards and a United Nations Association of Australia World Environment Day Award in 2003, and received an honourable mention in the 2003 Premier's Business Sustainability Award.

Commitment 7: Reduce solid waste to landfill and increase recycling rates

Achievements

- ❖ *11% decrease in the amount of solid waste going to landfill daily.*
- ❖ *40% decrease in the amount of recyclable waste sent to landfill daily.*
- Quarterly waste audits performed in VicSuper's Collins St office and results reported to staff.
- A new cleaning contractor was employed by building management in early 2004. A condition of this contract is to implement a building-wide recycling system.

- VicSuper began the process of becoming 'Waste Wise' accredited in April 2004.

Commitment 8: Reduce paper usage and increase recycled and/or sustainably produced paper stock

Achievements

- ❖ *25% decrease in the amount of copy paper purchased per employee.*
- All paper used for VicSuper external communications was converted to recycled and/or sustainably produced stock by December 2003.
- Double-sided printing was set as default for all computers by December 2003.
- VicSuper signed the Environmentally Preferred Paper Alliance's (EPPA) statement of intent for purchase of environmentally and sustainability preferred paper in mid-2003. VicSuper already conforms to the commitments in this document.
- The communications team implemented two electronically based initiatives in March 2003:
 1. giving members the option to register for seminars online through the website.
 2. giving around 600 employers the option to receive seminar invites electronically rather than via the post.

Proposed actions that are yet to be achieved:

- Convert all office paper to recycled and/or certified sustainably produced paper stock.

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Commitment 9: Reduce greenhouse gas emissions

Achievements

- ❖ *86% decrease in the level of greenhouse gas emissions attributable to electricity use in all offices.*
- ❖ *one new offset initiative put in place, where all fleet vehicles were signed up to GreenFleet in July 2003.*
- In 2003–04 VicSuper purchased 100% of its energy supply for its Melbourne office from renewable resources.
- Renovations to the Bendigo Advice Centre, which were completed in June 2004, incorporated energy-efficient designs, such as in the alarm system, meaning that when the alarm is turned on or off the lights automatically do the same.

EPA'S PROGRESS AGAINST ITS COMMITMENTS

Commitment 1: Publicise the leadership that VicSuper has shown and reinforce the positive benefits of becoming a signatory to a sustainability covenant.

Achievements

- EPA hosted a TBL Victoria event, 'Sustainability in Practice' in June 2003.
- The promotion, support and establishment of Sustainability Covenants is a key deliverable in EPA's Corporate Plan 2003–05, released in September 2003.
- EPA supported the GRI Stakeholder Regional meeting for Australia in February 2004. VicSuper attended and provided input into this meeting.
- EPA held a second Sustainability Forum for superannuation funds (speaker: Mr Paul Clements-Hunt) in October 2003.

Commitment 2: Continue to support the superannuation industry as it increasingly incorporates sustainability techniques into its investment methodologies.

Achievements

- A case study on VicSuper's ecological footprint measurement was put on the EPA website in September 2003.
- EPA held a joint forum with the superannuation fund CSS/PSS in October 2003 to allow it to share its approach to sustainability with the industry.

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- Covenant initiatives were promoted during the Carbon Disclosure Project (CDP) launch in June 2004.
- EPA worked with BT GAS to host a lunch for superannuation funds to discuss the CDP with Dr Matthew Kiernan of Innovest in June 2004.

Commitment 3: Assist the sustainability staff working within VicSuper.

Achievements

- EPA assisted VicSuper in the measurement and understanding of its ecological footprint in 2003.
- A case study of VicSuper's ecological footprint measurement experience was then put up on the EPA website.
- EPA reviewed and commented on VicSuper's draft sustainability report and provided feedback in December 2003.

Commitment 4: Increase awareness within Government and other organisations of the leadership that VicSuper is showing in the sustainability area.

Achievements

- EPA began to develop opportunities for VicSuper to deliver staff forums to Victorian Government departments about its approach to sustainability and how staff can invest sustainably.

Commitment 5: Coordinate and promote the UNEP FI programme in Australasia to which VicSuper is a signatory.

Achievements

- EPA chaired quarterly meetings of the Insurance Advisory Committee, Operation Management and Reporting Advisory Committee, Environmental Credit Risk Advisory Committee and the Socially Responsible Investment Advisory Committee.
- EPA continued to produce and distribute regular UNEP FI newsletters, which highlight sustainability activities occurring in the region within the finance sector.

PROGRESSION IN THE SECOND YEAR OF THE COVENANT

The second year of the covenant, from July 2004 till June 2005, is expected to continue in a similar way to how the first year of the covenant was managed. Regular quarterly steering committee meetings will continue, quarterly reports detailing results and quarterly reporting charts will also continue to be compiled, and progress reports for upload onto the EPA website will be written.