



THE SECOND VICSUPER SUSTAINABILITY COVENANT FIRST YEAR REVIEW

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The Second VicSuper Sustainability Covenant was signed on 17 August 2005. This report covers the reporting period from 17 August 2005 to 16 August 2006. The covenant was changed from a two-year agreement to a 10-year agreement with rolling one-year commitments to tie in with VicSuper's long-term view and new 10-year strategic plan.

As well as providing some background on the development and aims of this covenant, this report presents a review of some of the key initiatives, activities and outcomes reached during the covenant's first period.

BACKGROUND TO THE COVENANT

The Second Sustainability Covenant is a ten-year agreement between VicSuper and EPA Victoria to work together to protect the environment and to contribute to a more sustainable Victoria. The second covenant builds on the success of the first Sustainability Covenant between VicSuper and EPA to further the resource use efficiency of VicSuper's operations.

AIMS OF THE SECOND VICSUPER SUSTAINABILITY COVENANT

This partnership between VicSuper and EPA focuses broadly on progressing both VicSuper and the superannuation industry along the path towards sustainability. More specifically, the aims of the Second Sustainability Covenant are:

- To give statutory recognition to the leadership VicSuper is displaying in the superannuation industry through its sustainability program;
- To give a framework for VicSuper to continue to maximise current sustainability practices and future sustainability opportunities; and
- Encourage developments in this area and assist in moving the rest of the superannuation industry further towards sustainability practices and products.

HIGHLIGHTS OF THE PARTNERSHIP IN THE COVENANT'S FIRST YEAR

VicSuper and EPA collaborated on a number of initiatives in the first year of the second sustainability covenant.

VicSuper and EPA presented a series of free educational climate change seminars for VicSuper members in Melbourne and throughout regional Victoria. These seminars featured a range of climate change and business experts making the link to the implications for investments and superannuation. Holding seminars in regional Victoria featuring high calibre speakers such as Dr Graeme Pearman was part of VicSuper's strategy to ensure that people living beyond metropolitan areas were exposed to the climate change and superannuation message.

Through EPA, VicSuper continued its membership of the United Nations Environment Programme Finance Initiative (UNEP FI) Australasian Advisory Committee on Operational Management and Reporting. VicSuper also participated in the UNEP FI Asia Pacific Taskforce Outreach Group and the UNEP FI - GRI Pilot project group to pilot the GRI Financial Services Sector Supplement on environmental performance, and the associated technical protocols.

VicSuper and EPA both continued participation in the Investor Group on Climate Change and the Carbon Disclosure Project to increase the awareness of climate change as a significant investment risk.

PROGRESS AGAINST COMMITMENTS

VicSuper's seven key strategies for building a sustainable superannuation fund are the structure around which the covenant's commitments are based. VicSuper made progress against commitments under each of these strategies.

Below we have reported on some of the main achievements under each of the strategies. Under the 10 year covenant, longer term goals and commitments that were not achieved will be reassessed and, where appropriate, undertaken the following year.

For more information about each of these strategies and how they contribute to building a sustainable super fund, see VicSuper's Sustainability Report: www.sustainabilityreport.vicsuper.com.au.

Key strategy 1: Deliver value

- The Traralgon Advice Centre opened on 1 December 2005 to service members and employers in the south-east region of Victoria
- Registered users for VicSuper MembersOnline increased by 65% to over 19,000 members. Employers using online facilities also increased by 50%
- Key correspondence items that were previously duplicated and scanned moved to an electronic platform with an estimated saving of 1,500 pieces of paper per week and a substantial efficiency saving

Key strategy 2: Invest for the long term

- VicSuper appointed UK based TruCost to undertake an environmental footprint analysis of 4 listed equity funds
- Research into opportunities for forestry investment, which include ecosystem services as part of investment returns commenced. The Trustee approved an investment in ecosystem services in April 2006
- VicSuper instigated research into investment-related risks and opportunities of climate change

Key strategy 3: Recruit and retain quality people

- The Hon. Al Gore spoke to senior managers, the executive team and the Board during his visit to Melbourne in November 2005
- VicSuper's staff sustainability committee was relaunched to be more innovative and proactive in integrating sustainability further into VicSuper's operations

Key strategy 4: Maintain sound governance and accountability

- VicSuper prepared and distributed its 2005 Sustainability Report, which was independently assured by URS and contained enhanced environmental sustainability reporting highlighting environmental risks and opportunities
- Developed a draft sustainability policy and updated other VicSuper policies commencing in 2005/06 to further integrate sustainability

Key strategy 5: Continue financial stability and growth

- VicSuper implemented scan-to-email facilities at regional advice centres which reduces the amount of paper sent to head office for action
- The VicSuper website was updated to include comprehensive material on climate change

Key strategy 6: Minimise our environmental impact

- Environmental sustainability principles were incorporated into the design brief and fit out of VicSuper's Traralgon Advice Centre and Melbourne Office, including features such as carpet tiles, module workstations, low voltage light fittings and automatic sensor lighting for offices
- VicSuper staff attended life cycle training arranged by EPA to provide a better understanding of the environmental impacts of paper-based communications materials
- Email communication to members was established for the purpose of distributing sustainability information for future mailouts. This will reduce the number of hard copies produced as well as the impact of transporting hardcopies to their destination

Key strategy 7: Foster effective partnerships

- A sustainability procurement policy was drafted to incorporate sustainability considerations into all procurement decision-making.