



Briefing

UNEP Finance Initiative news from Australasia

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Climate Change Secretary Dr Martin Parkinson

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The Financial Review Carbon Reduction Conference 2010

Clean energy economy without a Carbon Pollution Reduction Scheme

The Financial Review Carbon Reduction conference was held this year on 2nd June at the Hilton Hotel Sydney. The Financial Review was proud to partner with the EPA Victoria who was principal sponsor of the conference for the second year running.

The Financial Review Carbon Reduction Conference 2010 looked at a clean energy future and the opportunities to invest in new technologies. The conference focused on organisations that are the quickest to embrace and which companies will be pioneers in the 21st century.

With a government back flip in May 2010, anticipating the Government's next move on carbon pollution regulation may well leave businesses with an unclear path for change. The conference looked at insights from corporate leaders that delivered presentations on investing without the certainty of a CPRS, managing your carbon exposure and cost effective ways to reduce your carbon footprint.

The conference was attended by over 100 delegates ranging from a number of different government & private organisations with a common goal of improving Australia's carbon footprint. The conference program contained an amazing line-up of speakers, which this year included:

Dr Martin Parkinson, Secretary, Department of Climate Change

Mina Guli, Executive Director and Chief Investment Officer, Peony Capital

Mark Miller, Managing Director, Green Earth Energy

Neil Hereford, Head of Carbon Solutions Group, Institutional Banking & Markets, Commonwealth Bank

Tony Lovell, Chief Executive Officer, Soil Carbon Australia

The Financial Review is planning to hold its next Carbon conference in June 2011, this time in Victoria.

For more information regarding a clean energy future, please visit www.afr.com/events and examine the Financial Review National Energy Conference Program.

PRI signatories kick off Australia collaboration network

It was standing room only at the inaugural United Nations Principles for Responsible Investment (UNPRI) Country Network meeting coordinated by EPA Victoria in early August. The strong attendance reflects the Australian investment community's commitment to responsible investment.



Close to 100 Australian asset owners and asset managers are now signatories to UNPRI, and over 60 representatives of signatories attended the meetings held concurrently in Sydney and Melbourne. The Country Network aims to bring Australian signatories together to share and collaborate on ESG issues, particularly those of specific relevance to Australia.

David Atkin, chief executive officer at Cbus, the Construction & Building Industry Superannuation Fund, and Australia's representative on the UNPRI Board, highlighted the value of the initiative: "Australia has its own specific issues and challenges in the ESG arena, and establishing a Country Network will allow Australian signatories to better define and focus on these." The Australian government's response to climate change and the ongoing uncertainty surrounding the debate on the issues has been the focus of considerable investor attention over the past few years.

Other ESG issues of particular relevance to the Australian market include the limited focus on supply chain issues in Asia, changing precipitation patterns resulting in both droughts and floods in different parts of the country, and a rather limited ethical consumer market. Atkin said the opportunities provided by the Country Network included initiating and leading work streams on these Australia-specific issues. He said it would also enable the co-ordination of activities such as investor engagement, voting and public policy action relevant to Australia via the UNPRI Clearing-house, the on-line investor collaboration website. At the meeting, UNPRI signatories reflected on the somewhat mundane but nevertheless real challenge that vast distances and different time zones present when seeking to contribute to and participate in

global PRI activities and present the Australian perspective on key issues. It is anticipated that through the Country Network Australian signatories will be able to coordinate and facilitate input into existing UNPRI activities without losing as much sleep! The Country Network will also provide more targeted education and implementation support to Australian signatories. This was demonstrated with presentations from two leading Australian fund manager signatories.

Nick Edgerton, Manager ESG, Research & Engagement at Colonial First State Global Asset Management (CFSGAM), said ESG issues were being integrated within investment processes for listed Australian equities at the manager level: "While staying true to our investment processes we have developed our analysts' capabilities to understand where ESG issues fit into their stock assessment. We assist and ensure ESG issues are well embedded in these processes by incentivising our analysts through a series of key performance indicators (KPIs). For example, one of the KPIs encourages analysts to engage directly with their companies on ESG issues in their regular meetings and site visits. Analysts also identify a key ESG issue and over the course of the year engage the company on this issue with the aim of influencing the management. As part of the integration we are also focusing on the sell side. We are supporting and challenging brokers to improve the quality of ESG research through our panel system, ESG Research Australia awards and bespoke research requests."

Azhar Abidi, director, sustainability and responsible investment, at Industry Funds Management (IFM) provided an insight into how IFM has approached the task of integrating ESG issues in unlisted infrastructure assets. Azhar said the process began with the establishment of an ESG Policy to clearly define what ESG means to IFM. The second stage involved the development of a framework to translate this policy into its due diligence processes. A key element of the framework is an ESG checklist comprising over 80 questions on topics such as climate change, water supply, labour relations and governance structures. Azhar said: "It is necessary to translate the high level

Banking on resilience

ESG Policy statements into the pointier due diligence questions which will lead the analyst to make intelligent and rational decisions about what is material to their investment decisions. It is important that the analyst focuses on the meaty ESG issues that actually have an impact on the risk and return profile or value of the asset.”

Judging from the overwhelming turnout at the event, Australian signatories clearly see the Network adding value to their PRI membership. EPA Victoria will provide secretariat support for the Network which is scheduled to meet every six to eight weeks and is likely to be extended to include New Zealand PRI signatories later this year.

Joanne Saleeba
Director, Thrive Sustainability Services, Melbourne, Australia
www.thrive.net.au



mecu, one of Australia's leading financial institutions, is steadily increasing its investment into the affordable housing sector and conservation.

On the environmental front, the Judith Eardley Wildlife Reserve represents the second acquisition in the mecu Conservation Landbank located in Victoria's West Wimmera. Like Minimay, its first property, the 236 hectare reserve protects excellent habitat for the nationally endangered South-eastern Red-tailed Black Cockatoo, a species with only 1400 individuals remaining. The wildlife charity, Judith Eardley Save Wildlife Foundation approached mecu through Landcare Australia offering its support of the Landbank with a donation of \$250,000.

The Conservation Landbank is a world leading initiative that offsets both biodiversity lost during new home constructions and carbon emissions from mecu's goGreen car loans. mecu plans to acquire other prime conservation land to help it become carbon neutral by 2011. Its vision is to develop the biodiversity of the Landbank to support wildlife, while building and protecting native bushland. The Landbank is managed by Landcare Australia and Trust for Nature Conservation covenants protect the land against any future development.

In the International Year of Biodiversity, mecu is keen to demonstrate that corporate Australia, NGOs and government can work together to address conservation issues of national concern.

mecu's National Community Banking Manager, Steven Lynch, says: "These types of projects represent investments on behalf of our owners.

The funds used to finance these acquisitions are generated through our responsible approach to banking."

This same approach has enabled mecu to support the Australian Conservation Foundation's Just Add Water project which will return much needed water to the endangered Hattah Lakes Wetlands in Northern Victoria. The credit union's commitment to community investment also aims to help communities become more resilient.

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The recent Chilean and Haitian earthquakes and last year's Victorian bushfires illustrate how unexpected change can throw lives, infrastructure and governments into chaos.

The way in which they recover is a sign of their resilience. mecu recently supported a national conference, exploring Australia's resilience and how, as a nation, we can prepare for an uncertain future. It was run by Australia21, a not-for-profit group developing fresh and independent thinking about the large and unsolved problems that confront the country in the 21st century. Over the last year, mecu's relationship with Australia 21, says Lynch, has assisted to elucidate "the next big questions facing Australia, which in turn will assist mecu identify where and how best to invest funds on behalf of its owners into the future."

Access to safe, affordable and secure housing is a foundation stone for a resilient nation and critical in developing more successful communities. mecu is working closely with the affordable housing sector and is investing its owners funds in financing the development of housing projects across Australia. In recent months the credit union has also supported two national housing conferences — the Community Housing Federation of Australia's National Housing Exchange and PowerHousing Australia's conference themed "Towards Sustainability" with the aim of assisting housing practitioners with their profession development.

mecu has recently offered a scholarship to a PowerHousing Australia member to attend the International Housing Exchange conference in Berlin. Greg Budworth, CEO of Compass Housing Services in New South Wales, will be travelling to Germany in April to study innovation on affordable housing solutions.

The community housing sector is undergoing rapid change as a result of the Australian Government's investment in the \$5.7 billion Nation Building Economic Stimulus Plan for social housing and the \$1 billion National Rental Affordability Scheme. Both government schemes are seeking to bring together the community sector and responsible investors like mecu in an effort to address the country's housing crisis.

Responsible investment

A world first, the Responsible Investment Academy, officially launched its programs at the 7th International Responsible Investment Conference in Sydney this September.

The RI Academy is an Australian initiative that started as a project of the Responsible Investment Association of Australasia (RIAA). Since May 2009, the RI Academy has been busy building programs and resources to give investment professionals the skills they need to successfully integrate Environmental Social and Governance (ESG) issues into their existing framework .

RI Academy programs will enable signatories to the UN Principles for Responsible Investment (UNPRI) to better achieve their objectives through a more insightful analysis of ESG factors within the scope of investment management. The UN Principles for Responsible Investment is a supporter of the RI Academy through a formal Memorandum of Understanding.

"We chose the RIAA conference because it's a premier RI event that gives investment professionals actively engaged in RI an opportunity to learn about our offerings first-hand," says RI Academy director, Neb Jovicic.

"Global markets are now at an inflection point where any individual making investment decisions needs a solid and practical knowledge of ESG risks and opportunities and the insights available through responsible investing."

The screenshot shows a presentation slide with the following content:

- What to do with material issues?**
- Tom is particularly concerned with the issue of water quality.
- Click here to read about Alpha Extract in the SMC.
- Let's take a look at a process to help Tom analyse the issue of water quality for Alpha Extract, as an investment critical. You may recall the 5 Step Process to Integration that was outlined in the lesson titled An Overview of RI.
- Click on each step in the Animation to discover the process for yourself.
- On the right is a graphic outlining what to do with material ESG issues. Click "next" to continue.

What to do with material issues?

Identify & quantify the risks & opportunities

Step 4: Quantify and quantify the risks and opportunities.

Risk: 12.8% potential reduction in revenue from mine closures due to water contamination.

Actively Own

Integrate

Quantify and Quantify

Monitor

Assess

Identify

Roll your cursor over each step to view its description.

Analysis of ESG Issues / Page 4 of 9

skills now career ‘essentials’

“We are rapidly reaching the stage where employers will consider demonstrable knowledge and skills in these areas to be essential attributes for analysts, portfolio managers, and asset owners,” he says.

The RI Academy launch took place on Wednesday 15 September, the second day of the RIAA conference. Jovicic explains that the Essentials Pathway, a series of seven introductory lessons, was the first program launched and will be available globally via the RI Academy’s learning portal.

Modules were demonstrated at the conference and all current signatories to the UN Principles for Responsible Investment have been offered one free module: Introduction to the PRI. The next program to be launched will be the Academy’s 100-hour Certificate Pathway.

The Academy has also developed a comprehensive Academy Toolbox that includes a library of models, reports, presentations and podcasts including financial models used in ESG integration and rapid learning models on ESG integration, screening, industry tools and industry standards.

“The Academy Toolbox includes some very practical financial models and industry applications including reviews and guides of widely recognised ESG data and service solutions.”

“Our interactive, web-based learning will help you to test key ideas, improve retention and sustain your focus. Our multimedia experience will help you acquire new concepts with ease.”

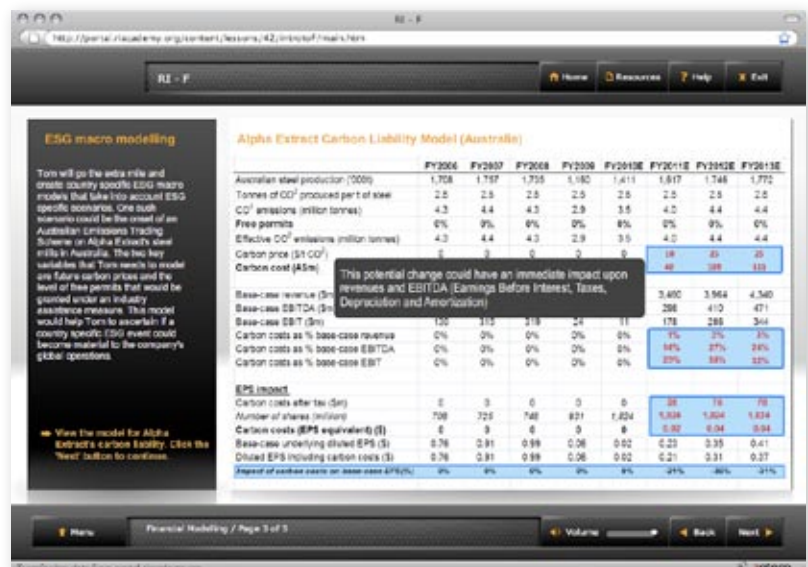
The Academy will also provide an affiliate hosting program so that large financial institutions and associations can develop region- or theme-based modules; and it will provide collaborative forums.

The creation of the RI Academy was announced in February 2009 by Senator Nick Sherry (then Minister for Superannuation and Corporate Law) with a foundation of \$2.5 million in Commonwealth Government funding over three years. The Academy has also had the support of the Department of Environment, Water, Heritage and the Arts. At a state level, the New South Wales Department of Climate Change and Water and the Victorian Environment Protection Authority have also provided funding and support for the academy.

The not-for-profit Academy is backed by an impressive advisory council which includes the Financial Planning Association, Investment and Financial Services Association and the Association of Superannuation Funds of Australia, among others.

The RI Academy will enable Australian investment professionals to attain a global standard of training and certification in responsible investment and will “export a high-end Australian innovation to a potential market of 500,000 investment professionals around the world.”

For more information about the RI Academy please visit www.riacademy.org. For more about the RIAA 2010 International Responsible Investment Conference held on 14 and 15 September, visit www.responsibleinvestment.org or call Sarah Clawson on 02 9025 5711



Business leaders, investors and government join forces to promote world's largest corporate citizenship initiative

A gathering of some of the country's most senior business and government leaders was hosted by Accenture in Sydney on 4 June 2010 at the Inaugural Annual Meeting of the UN Global Compact Network Australia.

The purpose of the meeting was to discuss the role of business and the investment community together with government in driving responsible business practice and sustainable development, locally and globally, and to vote in a formal structure to enable the transition to a self-governing and fully functioning Australian Network.

The Australian Network was launched last year by the former Minister for Superannuation and Corporate Law, the Hon Nick Sherry, and the Executive Director of the Global Compact, Georg Kell, in Parliament House.

The Network aims to become Australia's strongest corporate citizenship movement, engaging its members through local events and the fostering of a strong, supportive network of like-minded businesses

The UN Global Compact is a strategic policy initiative for businesses to align their operations with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption – not as a charitable add-on but as an integrated core business activity. By doing so, as a primary agent driving globalisation, business can help ensure that the sector advances in ways that benefit economies, societies and the environment everywhere – enhancing corporate citizenship.

The investment community is a key driver in encouraging businesses in the uptake of responsible business practice. The UN Principles for Responsible Investment (PRI) provides a framework for investors to integrate a consideration of environmental, social and governance (ESG) issues into the investment process.

Also addressing the meeting, David Atkin, the CEO of Cbus (one of the largest superannuation funds in the country and UN PRI Board member) commented: "Both initiatives have seen a marked take-up in Australia. During the past year the UN Global Compact, the world's largest corporate citizenship initiative (with more than 7000 signatories) has seen a 50% increase in signatories. Businesses such as the Commonwealth Bank, mecu and Woolworths have joined long standing signatories such as BHP Billiton, Westpac and Allens Arthur Robinson, together with a raft of smaller businesses. Companies sign on for their entire corporate group – thus there are many other Australian companies that are subsidiaries of international companies that are already participants. These businesses are now becoming activated through the Australian Network e.g. Nestle, Unilever, KPMG."

Simultaneously, the PRI has seen rapid take-up by the Australian Investment Community – stronger than anywhere else in the world – over 50% of Australian funds under management are signed up (approximately 23% globally), with Australia strengthening its PRI Australian Country Network to assist the further integration of the initiative.

Globally the PRI and UN Global Compact initiatives are engaged in a number of mutually reinforcing

Woolworths is very proud to be an inaugural signatory to the UN Global Compact. Being a good corporate citizen should be intrinsic to any business aspiring to build a successful future.

Michael Luscombe, CEO, Woolworths Limited

Investors ranging from mums and dads through to big institutions are demanding more and better transparency around environmental and social responsibility. Organisations like the UN Principles of Responsible Investment (PRI) and the UN Global Compact Network show that we're listening and are rising to the task.

David Atkin, CEO of Cbus Superannuation and Board Member, PRI



Global Compact Network Australia



activities. For three consecutive years PRI signatories have led a collaborative engagement with participants of the Global Compact regarding their Communication on Progress (COP) sending letters to Chief Executives of listed UNGC signatories, in order to either welcome particularly good practice ('leaders') or conversely, challenge non-conforming companies to regain full participant status ("laggards").

The recent publication of new interpretative guidelines for ESG disclosure by the US Securities and Exchange Commission has underlined the massive momentum on this issue. UK guidelines are also under review. The main message: increasingly investors are aware of the material risks of ESG and therefore Global Compact signatories are ahead of the curve. Reporting regulations will only become more robust in Australia. Therefore the recent international announcement that there would be closer collaboration between the Global Compact and the Global Reporting Initiative (GRI) – the world's most widely

used sustainability reporting framework comes as a welcome development, particularly since these initiatives are both currently being supported by Federal Treasury and hosted by St James Ethics Centre in Sydney.

Contact Rosemary Sainty,
Secretariat,
UN Global Compact Network
Australia
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There is an excellent opportunity to build strong and synergistic links between the signatories of the UN Global Compact and the PRI Australian Network of signatories, giving Australia a real opportunity to “punch above our weight”– locally and globally. We look forward to working more closely with the Australian PRI Australian Network to this end.

Rosemary Sainty, Head, Secretariat, UN Global Compact

Westpac supports the development of the carbon market in New Zealand

Whilst the focus on climate change in Australia continues to revolve around the policy debate, across the Tasman in New Zealand things have already started.

In December 2009, the New Zealand Government passed the Climate Change Response (Moderated Emissions Trading) Amendment Bill, bringing the New Zealand Emissions Trading Scheme (NZ ETS) into law. The scheme is designed to help New Zealand achieve its national emissions reduction target band of between 10% and 20% below 1990 levels by 2020.

Since then, Westpac became the first major financial institution actively involved in the New Zealand ETS by assisting smaller credit holders under the scheme.

Westpac wrote to over 600 forestry companies and small landholders who received permit allocations under the scheme, inviting them to discuss their carbon credit position and options. By doing so Westpac helped bridge the gap between smaller

forestry companies receiving carbon credits and corporate entities needing larger parcels of credits to manage their carbon liability.

By aiding in the provision of actual liquidity to the New Zealand market, Westpac has been able to facilitate the creation of a market price for New Zealand Units (NZUs). More specifically, promoting greater price transparency and investing in the market will assist New Zealand companies to achieve emission reductions efficiently and help New Zealand meet national emission reduction targets within agreed timeframes and at least cost.

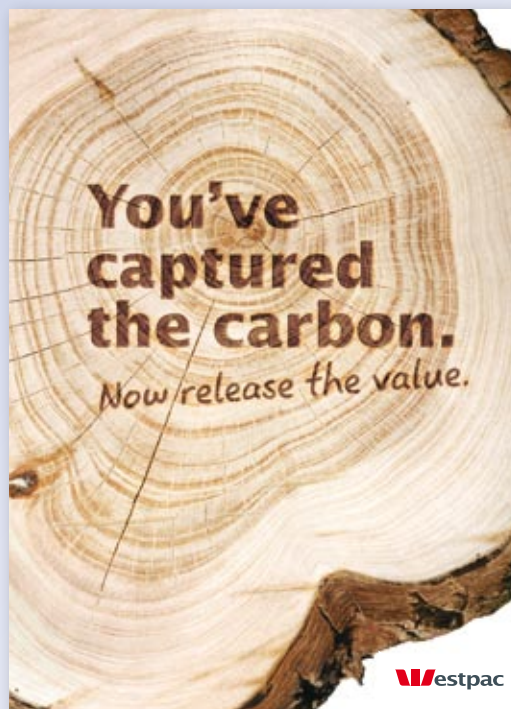
To support this work, Westpac has a dedicated carbon trading team based in Wellington and produces a regular Carbon Update for customers, with information on market developments in New Zealand and key international markets. It has been trading in the EU ETS since 2006, and undertook the first trade of Australian compliance permits (Australian Emission Units or AEU) in May 2008. More broadly, Westpac has established a dedicated in-house Carbon Deal Team to accelerate the financing of new carbon-related business opportunities.

The Westpac Group offers additional interest free loans to employees

The Westpac Group is offering all employees an interest-free Employee Green Loan of up to \$4,000, with repayments deducted from the employee's fortnightly pay. The initiative is part of its ongoing commitment to delivering practical environmental solutions for employees and customers.

The loan can be used for environmentally sensitive home improvement products and season passes for public transport. Examples of the type of items that can be purchased under the program include rain-water tanks, solar panels and solar hot water systems and energy and water efficient appliances.

Whilst only one loan can be taken out in any financial year there is no limit on the number of times employees can take out the loan. The offer is an extension of an offer previously available to St. George employees. The two companies merged in December 2008 but remain as distinctive brands in the marketplace.



EPA Victoria is an independent statutory body charged with the protection of the Victorian environment. EPA signed a Memorandum of Understanding (MOU) with UNEP in 2000 to coordinate and promote its Finance Initiative activities in Australasia to ensure that Australasian financial institutions are assisted in managing their environmental issues. Learn more about EPA at www.epa.vic.gov.au/bus/UNEP/default.asp.

If you would like to submit an article, receive a copy of the Briefing or learn more about UNEP FI's Australasian activities then please contact us on the details below.

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