



THE SECOND VICSUPER SUSTAINABILITY COVENANT – THIRD YEAR REVIEW (2007–08)

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This report provides a review of some of the key initiatives, activities and outcomes reached during the third year of VicSuper's second sustainability covenant with EPA Victoria.

Covenant signed: 17 August 2005

Reporting period: 1 July 2007 to 30 June 2008

BACKGROUND TO THE COVENANT

The second sustainability covenant is a 10-year agreement (2005-15) between VicSuper and EPA to work together to protect the environment and to contribute to a more sustainable Victoria. This covenant builds on the success of the first sustainability covenant between VicSuper and EPA.

AIMS OF THE COVENANT

This partnership between VicSuper and EPA broadly focuses 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
- to 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

VicSuper made significant progress against commitments under its seven key strategies for building a sustainable superannuation fund. Below we have reported on some of the main achievements that were made during the covenant's third year. This report is divided into three sections, covering initiatives undertaken in VicSuper's operations, investments and stakeholder engagement. VicSuper and EPA collaborated on a number of initiatives in this period. Specific assistance provided by EPA is included where relevant.

The full list of VicSuper's commitments is available on VicSuper's website at www.vicsuper.com.au. For comprehensive reporting against all of these commitments, see VicSuper's Sustainability Report 2007 at www.sustainabilityreport.vicsuper.com.au.

Under the 10-year covenant, longer term goals and commitments that were not achieved will be reassessed and, where appropriate, undertaken the following year.

VICSUPER'S OPERATIONS

- In 2007-08 VicSuper implemented a number of initiatives to streamline our services to members and increase the use of electronic communications and our MembersOnline service:
 - An electronic communication option was implemented for members and now takes place for major (mass) VicSuper mailings.
 - The number of members who registered to use MembersOnline and subsequently logged on increased by 58 per cent.
- We made our company operations carbon neutral by first measuring, reducing and then offsetting all significant greenhouse gas emissions. VicSuper consulted with EPA in developing an approach that is consistent with EPA's Carbon Management Principles (a framework for managing greenhouse gas emissions using a continuous

improvement approach) and includes reporting our emissions inventory publicly and having it independently assured.

- Sustainability induction training continued for all new starters to VicSuper (49 new employees participated) and induction training commenced for all new starters on VicSuper's recycling systems, sustainable transport and energy conservation initiatives (44 employees received training from members of VicSuper's FROGS team).
- An annual Sustainability Scholarship was introduced for up to two employees to participate in a scientific research expedition with Earthwatch or Conservation Volunteers Australia, which will help improve their understanding of environmental and sustainable development issues and provide an opportunity to share their experiences and knowledge with other VicSuper staff on return.

VICSUPER'S INVESTMENTS

- VicSuper, with the support of EPA, published The VicSuper Carbon Count in September 2007. This report provided an initial measurement of the carbon emissions, exposures and intensities of companies in the ASX200 as measured by Trucost. We also engaged Trucost to measure the carbon footprint of all of our international and Australian listed equities and used the results from this to estimate the carbon emissions of the listed equity portion (if applicable) of each member's account balance over 2007-08 for inclusion on member benefit statements.
- VicSuper's involvement with the Investor Group on Climate Change Australia/New Zealand (IGCC) continued this year with the IGCC active in the public policy debate over the new Federal Government's commitment to reducing Australia's carbon emissions. VicSuper's commitment to the Carbon Disclosure Project also continued in 2007-08, signing on to CDP6, which seeks company disclosure of investment-relevant information about climate change risk.
- In 2007-08, VicSuper contracted Hermes Equity Ownership Services to undertake environmental, social and governance engagement on VicSuper's behalf with listed companies part-owned by VicSuper through our international listed equity portfolio. This complements the governance, research and company engagement service provided by Regnan in our Australian-listed equity portfolio.
- EPA Victoria manages the United Nations Environment Programme Finance Initiative (UNEP FI) in Australia. In 2007-08 we continued our membership of the UNEP FI Australasian working group.

VICSUPER'S STAKEHOLDER ENGAGEMENT

- VicSuper continued to publicise the link between sustainability and superannuation in public forums through VicSuper's website and in other communication media.
- VicSuper regularly shared information with a broad range of stakeholders on the topic of sustainability and its implications for superannuation and the finance sector. This included providing 21 external presentations at conferences, workshops, seminars and to groups such as universities, professional associates, other super funds, industry associations, VicSuper members and employers.
- VicSuper's fourth annual Sustainability Report was completed and made publicly available in November 2007.
- In August 2007, VicSuper, in collaboration with a number of major companies, released a report through the Australian Business and Climate Group entitled *Stepping up: Accelerating the deployment of low emission technology in Australia*. The report called for a National Low Emission Technology Strategy as part of a National Climate Change Response. VicSuper is one of nine companies in the group, which includes Anglo Coal, BP Australia, Deloitte, Mirvac, Rio Tinto, Santos, Swiss Re and Westpac.