

# sustainability covenant June 2005

Between Environment Protection Authority and mecu Limited  
Under Section 49AA of the Environment Protection Act 1970



**mecu**  
intelligent banking™

This voluntary SUSTAINABILITY COVENANT is a statutory agreement under section 49AA of the Environment Protection Act 1970 made on 29 June 2005

Between:

Environment Protection Authority  
(EPA Victoria) of 40 City Road,  
Southbank in the State of Victoria;

-and-

mecu Limited (mecu)  
of  
222 High Street,  
Kew in the State of Victoria.

#### in which:

EPA Victoria and **mecu** agree to put in place a transparent framework to enable **mecu** to move further towards sustainability by:

- Increasing the efficiency with which **mecu** uses resources to develop and deliver its products and services;
- Helping to alleviate negative environmental and social impacts through its products and services;
- Encouraging and assisting **mecu** members to live more sustainable lifestyles;
- Applying prudent financial business practices to its operations, to ensure economic and financial sustainability; and
- Supporting developments within the finance sector that encourage others to embrace sustainability.

EPA Victoria is of the opinion that this sustainability covenant is likely to be effective in increasing the resource use efficiency and reducing the ecological impact of **mecu** and the financial services sector, and as such is a signatory to this agreement.

By entering into this sustainability covenant with EPA Victoria, **mecu** is demonstrating leadership and innovation as it uses its influence within the financial services sector to work towards achieving progress towards the development of more sustainable practices, products and services.

# background information:

## what is a sustainability covenant?

This sustainability covenant is an agreement between EPA Victoria and **mecu** to work together to protect the environment and contribute to a more sustainable society. The agreement is made in accordance with provisions of the Environment Protection Act 1970.

## about the parties

### **mecu**

**mecu** is a financial services co-operative (a mutual company limited by shares). It is Victoria's largest credit union, with more than 105,000 members nationally, assets exceeding \$A1.1 billion and a workforce of approximately 220 full time equivalents. **mecu** provides its members with banking, insurance, wealth creation and wealth management services.

**mecu's** purpose is to consistently and effectively provide its members and their families with value for money, compelling integrated banking, insurance and financial planning solutions, as well as memorable superior service in a profitable and sustainable way.

**mecu's** values state that it will:

- treat its members with dignity and respect;
- value, encourage and support its employees;
- operate ethically and with integrity;
- apply prudent financial and business practices;
- be economically, environmentally and socially responsible; and
- care for its communities.

These values are integral to the five key focus areas that this covenant is structured around and which planned actions relate to (see table 1).

In line with its purpose and values, **mecu** aims to become the pre-eminent socially responsible banking brand in Australia. For further information on **mecu's** approach to sustainability see Annex 1.

## epa victoria

For over thirty years EPA Victoria has worked to protect the Victorian environment. As Victoria's independent environmental authority, EPA Victoria has established environmental benchmarks, reported on progress and alerted the community when environmental quality is threatened.

In doing so, EPA Victoria has established an international reputation as a leader in environment protection and gathered many sources of intelligence at home and abroad to assist in identifying emerging environmental trends and issues and developing effective strategies to address these. EPA Victoria also works successfully alongside industry and the community to achieve its aims, involving and empowering individuals, communities and businesses, encouraging them to take shared responsibility and action.

EPA Victoria operates having regard to the principles of environment protection identified in the Environment Protection Act 1970. These principles integrate sustainable economic growth objectives with social development and environmental stewardship. In particular, these principles reflect the integration of triple bottom line approaches into EPA Victoria's decision making.

Another of EPA Victoria's roles is to co-ordinate and promote the activities of the United Nations Environment Programme Finance Initiative (UNEP FI) in Australasia, to which **mecu** is a signatory. Established in 1992 to promote sustainable development and environmentally sound business practices across the finance sector, UNEP FI has signed a Memorandum of Understanding with EPA Victoria that allows it to organise and promote activities in the region. This reflects the growing influence that environmental and social issues have on the commercial risks and opportunities in the financial services sector.

EPA Victoria recognises the importance of working with organisations like **mecu**, as **mecu** has a unique opportunity to assist its customers to make choices that are more environmentally and socially beneficial.

# operation of the covenant:

## sustainability covenant aims and actions

Table 1 outlines the key areas of activity under this sustainability covenant and goals relating to each. Each key area derives from **mecu's** purpose and one or more of its values. These key areas form the structure of the schedule of actions set out in Annex 2 and will guide reporting on implementation of the sustainability covenant.

**mecu** and EPA Victoria will work in partnership towards realising the desired outcomes by jointly contributing to the progress of sustainability covenant actions, managing the overall suite of projects and determining future directions for the sustainability covenant.

The sustainability covenant steering committee will devise an annual action plan, which will be published as an Annex to this sustainability covenant on the EPA Victoria and **mecu** websites in advance of each financial year.

Actions will relate to the key areas of activity outlined above. The aim of the actions will be to move **mecu** towards achieving the stated goals in Table 1 above. Annex 2 outlines the priority actions planned for implementation from the commencement of the sustainability covenant through to 30 June 2006.

While the actions outlined in Annex 2 were planned at the time this agreement was made, the actual work program for the year is expected to be adapted in response to challenges and opportunities that present themselves through the course of the year. This will also be the case for future work programs agreed and published by the sustainability covenant steering committee. Annual reporting on the sustainability covenant's implementation will document any variations between the annual work program proposed and the actual results at the end of that period.

table 1: key areas of activity under the sustainability covenant and goals

key area of activity	goals
ethics and governance	<ul style="list-style-type: none"> <li>• All procedures and policies will reflect <b>mecu's</b> commitment to sustainability and financial responsibility</li> <li>• <b>mecu</b> will be transparent and accountable regarding operational activities, products and services</li> </ul>
employees	<ul style="list-style-type: none"> <li>• <b>mecu's</b> workforce will be healthy, diverse, empowered and rewarded</li> <li>• <b>mecu's</b> culture will support its strategic direction and support sustainability innovation by staff and members</li> </ul>
social impact	<ul style="list-style-type: none"> <li>• <b>mecu's</b> influence as a financial institution and its skills and products will help build social capacity amongst its communities</li> </ul>
environmental impact	<ul style="list-style-type: none"> <li>• The environmental impact of <b>mecu's</b> operations will be minimised through the adoption of financially viable initiatives to improve resource efficiency, reduce waste generation and reduce natural resource consumption</li> <li>• <b>mecu's</b> products and services will assist members to live more sustainable lifestyles</li> </ul>
leadership and partnerships	<ul style="list-style-type: none"> <li>• <b>mecu</b> will provide leadership to the financial service industry in the field of sustainability by demonstrating that environmental and social improvements are part of a successful business strategy</li> <li>• <b>mecu</b> will further develop successful strategic partnerships focusing on sustainable outcomes</li> </ul>

### life of the sustainability covenant

The parties have agreed that this sustainability covenant will operate from the date of signing this agreement to 30 June 2008. The steering committee will review the agreement at the end of each financial year and devise a detailed action plan for the next financial year at that stage. It is planned that the first public report against the sustainability covenant will be delivered in September 2006 in **mecu's** Sustainability Report. Reports will then be released on an annual basis.

### management of the sustainability covenant

The following framework for decision-making and management of the sustainability covenant has been agreed between the two parties.

A steering committee will be established to manage the implementation of the sustainability covenant.

The steering committee will be made up of at least two representatives each from EPA Victoria and **mecu**, of which at least one must be a representative from senior management.

EPA Victoria is responsible for the commitments made by EPA Victoria in this agreement.

**mecu** is responsible for the commitments made by **mecu** in this agreement.

EPA Victoria reserves the right to withdraw from this sustainability covenant if, in the opinion of EPA, it is no longer effective in increasing the resource use efficiency, or reducing the ecological impact of **mecu**.

This sustainability covenant is entirely voluntary and, despite any commitment given in this covenant, **mecu** can withdraw at any time upon giving reasonable notice to EPA Victoria without giving rise to an action or claim for damages, reimbursement of expenses or compensation whatsoever. It should also be noted that neither organisation acts as an agent on behalf of the other.

In the event that a termination clause looks likely to be activated, both parties agree to instigate discussions about why this might have to occur.

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## other information

In accordance with section 49AC(c) of the Environment Protection Act, the parties authorise the copying of all or any part of the covenant by any person who wishes to do so. The parties also authorise the use by such a person of any copies made by the person.

Copies of this covenant, the future annual action plans, and implementation reports will be published on the **mecu** and EPA Victoria websites.

## contact details

### **EPA Victoria:**

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### **mecu:**

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## annex 1: mecu's approach to sustainability

mecu aims to become the pre-eminent socially responsible banking brand in Australia. To help mecu meet this goal and ensure that sustainability is integrated across the organisation, mecu has developed a committee of the Board of Directors, the Sustainable Development Committee, which is supported by the Sustainable Development Manager. This Committee is charged with directing and monitoring sustainable development progress in the areas of social and environmental impacts and business ethics.

To help implement the Board's direction and to initiate the required development of culture, mecu has also initiated a staff sustainability reference group called "Footprints" and has nominated a sustainability advisor in each of its service centres.

mecu has been working with a number of partners, including The Natural Step, to increase employee understanding of sustainability and to help reduce its ecological footprint. Sustainability training has also been integrated into the organisation's induction process.

The use of recycled papers, vegetable inks, and a recycling program for a number of waste streams, are all part of mecu's business practice. mecu has also moved towards e-marketing and communications as well as direct channel banking e.g. automated telephone banking and Internet banking.

mecu supports a range of community programs aimed at protecting the environment, building social capital and encouraging the development of new science. mecu is also an active signatory to the United Nations Environment Programme Finance Initiative.

To further enhance its sustainability commitment, mecu has developed a number of products to encourage its members to be more environmentally responsible. These include the goGreen® Car Loan and the goGreen® Home Improvement Loan.

Some features of mecu's home loans reflect mecu's commitment to social responsibility. These features include:

- 100% First Homebuyers Loan to help people escape the rental cycle (Up to \$350,000);
- Loan Repayment Pause during maternity / paternity leave – 3 to 6 month options available; and
- \$120,000 Free Loan Protection Insurance (i.e. free life insurance cover for qualifying members).

For further information see: <http://www.mecu.com.au>

## annex 2: priority actions planned for the period to 30 june 2006

The following details the priority actions planned to make progress in each of the key areas of activity under this covenant. EPA Victoria and **mecu** will work together to progress this range of actions and will jointly report on progress against the sustainability covenant in the annual progress report.

### 1. ethics and governance

- Develop and commence implementation of an **mecu** Environment Policy.
- Develop an Ethical Investment Policy and commence reporting to inform **mecu** members how their money is invested.
- Include sustainability as an agenda item in all **mecu** team meetings.
- Include an assessment of the economic, social and environmental impacts of all recommendations going to senior management and the Board for decision.
- Develop a sustainability reporting framework for employees, the Board and external stakeholders. EPA to play a key role in supporting development of the external stakeholder report format and a validation process.
- Incorporate consideration of environmental and social aspects into the Loan Assessment Process.
- Incorporate social and environmental aspects into product development procedures.
- With assistance from EPA, where required, encourage **mecu's** major suppliers to be more sustainable.

- For new suppliers and those undergoing renewal incorporate sustainability requirements into the tender process, service agreement and/or contracts.
- Review the purchasing policy and incorporate appropriate environmental and social requirements with guidance from EPA.
- Improve communications with members and staff regarding **mecu's** sustainability performance through the Internet, Intranet and member magazine (Interact) and member newsletter (Intouch). EPA to share knowledge where possible concerning developments in the environmental sustainability area.

### 2. employees

- Review the recruitment process to identify desired behaviours and values that will support a sustainable **mecu**.
- Review salary packaging and ensure it promotes environmentally friendly behaviour. For example introduce bulk purchasing of annual public transport tickets for staff.
- Develop a staff-volunteering policy.
- EPA to assist in **mecu's** implementation of staff training on sustainability.
- Focus on recruitment for minority groups or people with little to no work experience through avenues such as **mecu's** traineeship program.
- Continue to support the staff sustainability reference group "Footprints"; and staff sustainability advisors.

### 3. social impact

- Target 4% of **mecu's** budgeted post tax profits to sponsoring community partnerships.
- EPA to assist in identifying community projects for **mecu** to support.
- Identify the financial service needs of non-profit organisations and further develop competitive financial products for the sector. EPA to assist **mecu** in building relationships with relevant organisations.
- Ensure members with a disability are aware of **mecu's** no fee policy for appropriate services.
- House affordability: Investigate and develop commercially viable home loan product solutions, which seek to address deteriorating levels of house affordability. For example, be involved in the VicUrban 1 in 10 project.
- Investigate and develop profitable strategies for the community-housing sector to improve access to finance and therefore provide enhanced low cost housing options for people on low incomes.
- Access to education: Investigate and develop possible programs and products to help people gain access to all levels of education.
- Work with stakeholders to identify social issues **mecu** could help address and implement appropriate approaches to do so.
- Better promote socially responsible investment (SRI) through Outlook Financial Planning.
- EPA to assist **mecu** to work with other organisations to obtain and further disseminate sustainability information. Have 'third party' publications on display in service centres and available via **mecu's** Internet site.
- EPA to assist **mecu** in providing sustainability information to members relevant to the products they purchase at the time of inquiry.

### 4. environmental impact

- Develop and implement action plans to reduce energy and water use and waste produced throughout **mecu**.
- Develop and implement a Green Travel Plan, through TravelSmart , with assistance from EPA Victoria.
- Continue to reuse and then recycle IT and other electronic equipment where feasible.
- Optimise opportunities to move from paper-based transactions to electronic (especially for internal correspondence) and where feasible, in dealings with customers. For example, introduce electronic statements for members and provide information to meet the Financial Services Reform Act requirements electronically, as permitted by law.
- Purchase a certain percentage of energy from renewable sources.
- Retrofit **mecu** owned buildings to incorporate sustainable fittings such as water efficient appliances, rainwater tanks or solar panels, wherever feasible, and where the payback is less than 5 years.
- EPA to assist in the review of **mecu's** plastic member cards (debit, credit etc.) and try to identify a more environmentally friendly material to make them from.

## 5. leadership and development

- EPA to assist **mecu** in sharing sustainability information and learnings with other credit unions and financial institutions.
- Maintain active membership of the United Nations Environment Program Finance Initiative.
- Integrate sustainability into community relations presentations.
- Continue to develop partnerships with appropriate organisations in regions where **mecu** has a presence to help alleviate local social and environmental problems. For example, develop a partnership with the Gould League to assist schools in Gippsland be more sustainable and to help finance environmentally friendly retrofits for schools.
- Seek funding from appropriate sources such as the Australian Greenhouse Office to help fund particular sustainability projects.
- EPA to work with **mecu** in identifying opportunities to raise awareness of **mecu's** approach to sustainability and product innovation within the Victorian Government and with other clients.

