

## > AMP Capital Sustainable Share Fund



// **Stock holdings as at 31 March 2012**

10 APRIL 2012

## AMP

AMP Limited (AMP) is a major Australasian wealth manager and life insurer. The group comprises AMP Financial Services, which owns Australia's largest financial planning network and has leading market shares in a range of products and platforms, and AMP Capital Investors, a fund manager. The takeover of Axa Asia Pacific Holdings was implemented on 30 March 2011. As at the takeover date, AMP and its Axa Australia and New Zealand businesses had close to 1300 financial advisers, 2000 staff and over \$54 billion in funds under management.

AMPCI is a signatory to the UN Principles for Responsible Investment. It is active in proxy voting on equity holdings and promoting good corporate governance in the companies in which it invests. In addition, its property division has undertaken a number of initiatives to decrease energy and water use and reduce waste to landfill in its commercial and shopping centre investments.

## Australia & New Zealand Banking Group

ANZ is one of Australia's big four banks servicing all parts of the Australian economy. In Australia and New Zealand, ANZ provides a full range of banking services. It also provides a range of financial services in some Asian countries.

ANZ's prime focus is on banking and investment; therefore it has the potential to help the financial future of its customers. As a significant investor and lender, it plays a gatekeeper role in facilitating social responsibility through its corporate governance and investment decisions.

ANZ has a number of charitable funds, providing funding for community health projects.

The Fund sees some of the key challenges that ANZ face (as with many banks in Australia), are the responsible management of its investments and lending practices to include environmental and social issues. ANZ needs to consider employee relations with the move towards individual work contracts, and it also faces the challenge of meeting the community's expectations of banking services to regional and rural Australia and less advantaged groups.

## Asciano

Asciano Limited (AIO) is a transport infrastructure business, with a focus on ports and rail. Through Patrick's ports and stevedoring business, Asciano operates container terminals with operations in Australia's four largest container ports, also providing rail-based land-side logistics for importers and exporters between port, metropolitan container terminals and regional/rural centres. Pacific National a provider of bulk haulage services for coal, grain and bulk industrial products. The business also provides intermodal services - providing interstate rail freight services to freight forwarders and steel manufacturers. In February 2009, Pacific National entered into a five year contract with K&S Freighters, Australia's third largest freight forwarder, to haul 100% of its interstate rail freight volumes.

As a rail and ports transport provider, AIO provides transport services for freight at a low ecological footprint, relative to alternative transport options. Asciano's Container terminals and Port Link infrastructure provide gatekeeper services to business and individuals moving freight. Safety performance in the stevedoring industry is a significant concern.

## Australian Infrastructure Fund

Australian Infrastructure Fund (AIX) is an Australian diversified listed infrastructure fund. It combines the Australian Infrastructure Fund Trust and Australian Infrastructure Fund Limited and is managed by Hastings Funds Management which in turn, is owned by Westpac Banking Corporation. Transport infrastructure assets account for 100% of the company's portfolio which include; airports, seaports, toll roads and rail.

With the majority of its investments in airports relying on long-haul flights (>600km), and a small holding in light rail, AIX assets have an element of essential public transport infrastructure and thus a slightly higher sustainability quality than tradition airport or tollway infrastructure assets.

## Bank of Queensland

Bank of Queensland Limited (BOQ) is a Queensland-based financial institution with a unique concept of Owner-Managed Branch (OMB), which is a partnership between the Bank of Queensland and experienced bank managers to provide banking services. Principal activities include the provision of home mortgage loans, business loans, deposit facilities,

credit card facilities, leasing, equipment finance, corporate and international services. In December 2007, BOQ acquired the Home Building Society. BOQ's personal financial solutions offer a suite of retail banking products including home and personal loans, credit cards, savings and investing accounts, phone and internet banking, insurance and international services.

BOQ has over 250 branches and over 2,500 ATMs across Australia. The bank's franchise model for branch managers has developed a committed and efficient branch network. The bank has good retail customer satisfaction and has a strong brand in the home state of Queensland.

## BHP Billiton Limited

BHP Billiton is a dual listed company formed from the BHP Limited and South African based, though UK listed, Billiton Plc in 2000. BHP Billiton is the world's largest diversified resources group with three principal areas of business: minerals exploration, production and processing (principally aluminium, coal, copper, iron ore, diamonds, silver, lead and zinc), petroleum exploration and production; and production of ferroalloys used in stainless steel and carbon steel materials.

The company 6 main operating groups are:

- > Aluminium (Aluminium and Alumina) ;
- > Base Metals (Copper, Silver, lead and zinc) ;
- > Carbon Steel Materials (Coking coal, iron ore and Manganese) ;
- > Stainless Steel Materials (Chrome and Nickel) ;
- > Energy (Steaming Coal) ;
- > Petroleum (Oil, Gas LNG)

In mid 2005, BHP-Billiton completed its takeover of WMC Resources (WMR). WMR produced nickel, copper, uranium oxide, phosphate fertilizers and a range of other intermediate products from a portfolio of long-life assets. WMR was one of the world's largest nickel producers. WMR also operated the Olympic Dam copper and uranium mine in South Australia. While the majority of the revenue from the mine is from copper production, the mine also produces 11% of the world's uranium and represents approximately a third of the world's economic resource.

Post the takeover of WMR, BHP-Billiton remains under the Fund's Uranium/nuclear power exclusion criteria of 10% of revenue or profit coming from uranium (see our Nuclear Fuel Cycle Position paper for more details). Olympic Dam will contribute less than 4% of BHP-Billiton's revenue and EBIT and revenue from uranium will represent less than 1% of BHP-Billiton's total revenue.

As a major resource company, BHP Billiton has significant social and environmental issues to manage. BHP Billiton has developed a set of core health, safety, environment and community management standards. These standards are not prescriptive procedures but set out standards that are to be implemented by individual operations and/or groups. The level to which these standards have been implemented varies across the organisation, though the level of implementation has been increasing over the last couple of years. In addition, the majority of BHP Billiton operations are ISO14001 certified.

BHP Billiton has been at the forefront of public reporting through company reports and other international initiatives such as the Global Reporting Initiative, the Extractive Industries Transparency Initiative, product stewardship initiatives for lead and diamonds and other mining industry standards. With many operations in developing countries, all parts of the organisation have undertaken significant social and community initiatives.

Most recently BHP Billiton has tried to address the long-term problem on their involvement in the Ok Tedi mine in PNG. While the damage caused by the mine cannot be undone and the mine will continue to operate, BHP Billiton has set up the PNG Sustainable Development Ltd. The company, which is financed by the BHP Billiton profits from the Ok Tedi mine, has the objective of promoting the sustainable income generating activities in the Western Province of PNG and the Sustainable Funds team believes that approach taken would seem to be a responsible way of exiting its involvement in the mine.

There are still some ongoing challenges and issues which are of concern, including:

- > BHP Billiton is the world's largest exporter of thermal coal in the world and has a significant exposure to oil and gas sector;
- > product stewardship issues associated with the use and disposal of uranium mined from Olympic Dam;

- > managing the environmental and social issues in developing countries will continue to provide challenges to the company;
- > continue to respect the culture and work with the communities in which it operates;
- > continual focus on improving occupational health and safety performance;
- > issues with respect to freedom of association for employees;
- > significant social issues need to be managed in the countries in which they operate, especially the management of HIV/AIDS in southern Africa; and
- > the company also operates in a number of countries that have dubious human rights records, and in countries where government corruption is a problem.

## Boart Longyear

Boart Longyear Limited (BLY) is an integrated drilling services provider and products manufacturer for the Mineral Industry, with a presence in the Environmental & Infrastructure and Energy industries. BLY operates in the Asia Pacific region, Canada, United States, South America and Europe.

Drilling Services undertakes contract drilling work for the Minerals, Environmental & Infrastructure and Energy industries. The division provides mining clients with earth and rock core, or rock chip samples in various sizes at certain depths for mineral analysis purposes. It operates in the exploration and development stage and also provides drilled blast holes for production mining purposes. In the Environmental & Infrastructure industry, BLY provides environmental, water, construction and geotechnical drilling services. Finally in the Energy industry, BLY provides earth and rock core samples for analysis, as well as completed holes for the installation of gas well casings and the installation of coal bed methane wells.

The Drilling Products division develops, manufactures and sells coring tools, drilling capital equipment and percussive tools. These products are used in industries such as minerals, environmental, infrastructure, construction, stone and energy. Coring tools developed, manufactured and distributed by BLY include diamond coring bits, drill rods and wireline core extraction systems.

The Fund believes that one strength of BLY is its workplace safety focus.

## Boral

Boral Limited (BLD) provides building and construction materials in Australia, the USA and Asia. It is made up of seven operating businesses including Australian Construction Materials, Plasterboard, Cement, Timber, Clay & Concrete Products, Construction Related Businesses and Boral USA.

The Australian Construction Materials (ACM) division is involved with quarry, concrete, asphalt, recycling, transport and contracting operations throughout Australia. The division operates around 400 operating sites, with a regional focus to serve Boral's markets. The cement division is made up of Blue Circle Southern (cement & lime producer), Boral Formwork & Scaffolding, De Martin & Gasparini (specialist concrete placing business) and Dowell Windows. It operates across 144 sites in Australia, Indonesia and Thailand. The Timber division comprises 16 hardwood, softwood and plywood operations and 7 sales and distribution outlets. Products are used in construction, renovation and commercial applications and are distributed to domestic and export markets.

The Plasterboard division is an integrated plasterboard manufacturing, distribution and installation business with 54 operating and company-owned distribution sites around Australia. It has 50% shares in gypsum supply and metal products manufacturing businesses in Australia with CSR and a 50% share of a gypsum products JV across Asia with Lafarge. The Clay & Concrete Products division manufactures and markets clay and concrete bricks, blocks, roof tiles and landscaping products. These are used in domestic and commercial walling, roofing and landscaping applications. There are a total of 42 Australian locations, with 23 manufacturing sites, with products sold in Australia, New Zealand and Asia.

US operations include the country's largest brick manufacturer, the largest clay tile manufacturer, one of the largest marketers and distributors of coal combustion products, and has a strong position in the Denver construction materials market. Through MonierLifetile (50%), BLD is the largest concrete roof tile manufacturer in the US.

With its prime focus in building materials, Boral has to manage some significant environmental, workplace and social risks. Currently, Boral is a major cement and brick manufacturer in Australia, with the associated environmental and greenhouse issues. In addition, Boral is involved in native forest hardwood forestry operations in Northern NSW.

Boral has made significant improvements in its environmental and safety performance, including the development of formal and structured safety and environmental management systems. Safety performance has improved significantly over the last years. Boral produces a number of products which utilise or recycle wastes such as waste plasterboard, flyash and blast furnace slag.

In recent years Boral has produced detailed sustainability reports and has focussed on key environmental issues such as greenhouse gas reduction and water conservation.

## Bradken

Bradken Limited (BKN) is a supplier of differentiated consumable products to the resources and freight rail industries. BKN's product range includes consumable parts, capital equipment and associated maintenance and refurbishment services. BKN operates five divisions: Mining, Mineral Processing, Rail, Industrial and Power & Cement, supported by a network of 20 manufacturing facilities across Australia, New Zealand and the United Kingdom.

The Mining Division designs and manufactures GET & Buckets, Wear Plate and Block and Crawler Systems for earth moving equipment. Mining services are undertaken at Bradken's Bassendean (WA), Hunter Valley (NSW), Ipswich (QLD) and Mackay (QLD).

The Mineral Processing Division manufactures a range of capital equipment under licence and to its own designs and supplies cast grinding mill liners to the majority of large diameter SAG and AG mills, and liners for Ball and Rod mills throughout the Australasian region.

The Rail Division designs and manufactures freight wagons, bogies, drawgear componentry and consumable parts. The business offers a variety of freight wagons tailored for each application, while specialising in the design and manufacture of freight bogies with axle loading capacities up to 40 tonne.

The Industrial Divisions manufactures and supplies a range of cast, machined and fabricated products to a wide range of industries including smelters and refineries, steelworks and scrap processing, power generation, sugar production, mining and truck manufacture. Bradken Industrial operates four foundry facilities across Australia and New Zealand, comprising Ipswich (Qld), Wodonga (Vic), Launceston (Tas) and Dunedin in New Zealand.

BKN is a major supplier of grinding elements, mill liners and other related products used in coal fired power generation, cement production and other industries.

The acquisition of AmeriCast offers a number of benefits including: providing capital parts access for BKN to the growing global energy and resources markets for the largest steel castings, providing an American base from which to expand some of BKN's key mining consumable products and the ability to add further scale to BKN's operations in China and leverage the AmeriCast/BKN combination into the large and growing key resources markets.

The Fund believes that as a provider of consumables, equipment and maintenance services to the Australian resources and rail freight industry, Bradken plays a sensitive role in alignment with sustainability.

## Brambles

Brambles Limited (BXL, formerly Brambles Industrial Limited BIL) is a global support services company operating in 45 countries across Europe, the Americas and Asia Pacific. The services provided by BIL are CHEP and Recall. In 2006, Brambles Industries Limited (BIL) united with Brambles Industries Plc (BIP), allowing greater focus on CHEP and Recall.

CHEP is involved in pallet and container pooling services. CHEP issues, collects, repairs, washes and reissues pallets and plastic containers from a global network of service centres to assist manufacturers, distributors and retailers to transport their products. CHEP containers can be used to transport materials, such as paper, finished goods. It also offers containers for special purposes, such as transport and store of bulk liquid items for chemical and pharmaceutical industries.

Recall provides document and information management solutions, data protection services and secure destruction services. Recall manages physical and digital documents from creation through to indexing, storage, retrieval on request and secure destruction.

The fund believes the company is well aligned to facilitate or offer solutions to sustainability issues, e.g. container and packaging reuse, waste management, and more.

## Chorus

Chorus Limited (CNU) is a telecommunication business owning and operating a nationwide fixed line access network infrastructure in New Zealand. This infrastructure comprises local telephone exchanges, cabinets and copper and fibre cables. It connects around 1.8 million New Zealand homes and businesses throughout the country.

Chorus's network has thousands of kilometers of copper and fibre optic cables connect up future focused network. The network's strengths are fibre to the cabinet, rural broadband and fibre to the home.

Chorus's services are designed to give phone and internet providers more control over the delivery of telecommunications and IT services. Chorus offered services comprise (i) network access services - to provide direct access to Chorus local access network; (ii) ultra fast broadband services (UFB) - to offer retail service providers to use Chorus's UFB products as building blocks to deliver broadband and data services over the fibre network. The building blocks are used to deliver home broadband, high definition video, high specification data services for business and corporate customers, and services to meet the needs; (iii) property co-location services - Phone and internet companies can place telecommunications equipment in a secure space within Chorus's properties and deliver services to their customers; (iv) field services - to provide a range of services to end customer at their premises; and (v) regulatory services - to develop with full industry and government consultation under agreed standard terms.

With its primary business focus in telecommunications, Chorus provides an important avenue for the communication of information and thereby facilitate education, entertainment and improved business practices. As the largest provider of telecommunication infrastructure services in NZ, it plays Enabler in alignment with sustainability. There is a significant social/community obligation to provide affordable access to its services and this has been one of the key requirements of Chorus under its constitution.

## Coca-Cola Amatil

Coca-Cola Amatil Limited (CCL) is involved in manufacturing, selling and distributing a diversified product portfolio including carbonated soft drinks, water, sports and energy drinks, fruit juice, flavoured milk, coffee and packaged ready-to-eat fruit and vegetable products. CCL is the Australasian regional anchor bottler of The Coca Cola Company.

CCL is the principal Coca-Cola licensee in Australia and independently manufactures its own soft drinks and mineral waters. CCL also operates in New Zealand, Fiji, Tonga, Indonesia and Papua New Guinea. CCL's major shareholder, The Coca-Cola Company, owns 30% of CCL's shares and has two directors on CCL's eight member Board of Directors.

CCL's product portfolio consists of non-alcoholic drink brands such as Coca-Cola, diet Coke, Coke Zero, Fanta, Sprite, Powerade, Glaceau and Pump, as well as other trademark beverages of The Coca-Cola Company. CCL bottles and distributes these brands in its territories under licence from The Coca-Cola Company. Beverage brands owned, manufactured and distributed by CCL including Mount Franklin, Deep Spring and Kirks.

CCL also has some alcohol exposure: the premium spirits portfolio of Beam Global Spirits & Wines including Jim Beam, Canadian Club, Makers Mark and The Famous Grouse. However, CCL's total alcohol exposure is well below the Fund's threshold in terms of financial materiality.

## Cochlear

Cochlear Limited (COH) is a manufacturer and marketer of cochlear implants which are used to stimulate impaired hearing. The COH implantable device is the gold standard for enabling profoundly hearing impaired patients to hear. Growth stems from further penetration of existing markets and entry into undeveloped markets such as South America, Eastern Europe and China.

Cochlear implants pick up sound through tiny microphones on the sound processor, and convert the sound into digital signals. The implant (internal component) uses those signals to stimulate the hearing nerve in the inner ear. Cochlear Nucleus 5 is designed to assist children with moderate to profound hearing loss or adults with severe to profound hearing loss. A sound processor captures sound and converts it into digital code. The sound processor then transmits the digitally-coded sound through the coil to the implant. The implant converts the digitally-coded sound to electrical impulses and sends them along the electrode array, which is positioned in the cochlea. The implant's electrodes then stimulate the

cochlea's hearing nerve, which then sends the impulses to the brain where they are interpreted as sound. Hearing is managed via the remote assistant or directly from the sound processor.

As a medical devices company, COH plays an "Industry of the Future" role in alignment with sustainability. The company has a strong commitment to research and development, providing technology upgrades which can be retrofitted to hearing devices, reflected in its after-sales service program entitled "Partners in Hearing for Life". It also has a well developed approach to human capital management through training, retention, and diversity.

## Commonwealth Bank of Australia

Commonwealth Bank of Australia (CBA) is Australia's largest retail bank and one of the 'Big Four'. Its core business is the provision of retail, business and institutional banking services. It also is a major participant in Australia's wealth management sector with products covering superannuation and life insurance as well as retail and wholesale fund management activities.

The bank provides a full range of retail banking services including home loans, credit cards, personal loans, transaction accounts and demand and term deposits. The bank also offers a full range of commercial products including business loans, equipment and trade finance, and rural and agribusiness products. The Institutional and Business Services division of the Bank serves corporations, government entities and other major institutions operating in Australasia. Corporate customers have access to financial markets services, securities underwriting, trading and distribution, corporate finance, equities, payments and transaction services, investment management and custody services.

The Funds Management division is the bank's provider of investment products and superannuation. Customers either directly invest in the bank's range of investment funds offered, or have access to a wider investment choice via CBA's master trust product, FirstChoice. The asset management business manages investment portfolios for a diverse range of retail and wholesale clients. It provides a large range of active and indexed investment options including, active and indexed investment options on shares, listed property, credit, cash, fixed interest and others.

The Fund sees some of the key challenges that Commonwealth faces (as with many banks in Australia) being the responsible management of its investments, and ensuring its lending practices include environmental and social issues. It also faces the challenge of meeting the community's expectations of banking services to regional and rural Australia and less advantaged groups.

## Computershare

Computershare Limited (CPU, formerly Halifax Computershare Pty Ltd) is the world's largest global share registry. It is the leading provider of financial market services and technology to the global securities industry operating in 20 countries. Services and solutions are provided to listed companies, investors, employees, exchanges and other financial institutions.

As a significant financial services provider to the global economic market, it plays a gatekeeper / enabler role in alignment with sustainability. The company has a code of ethics and corporate social responsibility policy as well as a strong focus on risk management and product research and development.

## CSL

CSL Limited (CSL) specialises in biologically based health care products and the supply of blood products and vaccines. Operations are in plasma services, biosciences, pharmaceuticals and human vaccines. CSL's Human Health business includes the operations of CSL Behring, CSL Bioplasma and CSL Biotherapies, as well as our global new product development activities.

With a focus the development and production of vaccines and blood related products, CSL is at the forefront of responding to increasing health demands. CSL recognises the importance of ensuring a standard of company ethics, with its own ethics code and abides by the various industry codes, such as, Code of Conduct of the Australian Pharmaceuticals Manufacturers Association, the Code of Good Manufacturing and Code of Good Laboratory Practice.

## DUET Group

DUET Group (DUE, Diversified Utility and Energy Trust) consists of two stapled registered managed investment schemes and an Australian public company: Diversified Utility and Energy Trust No 1 (DUET1), Diversified Utility and

Energy Trust No 2 (DUET2), Diversified Utility and Energy Trust No 3 (DUET3) and DUET Investment Holdings Limited (DIHL).

United Energy Distribution (UED) (66%) is a Victorian electricity distribution company whose electricity distribution network covers 1,450 square kilometres and serves approximately 609,574 customers throughout south east Melbourne and the Mornington Peninsula. UED owns the distribution network assets in this area used to transport electricity from the high voltage transmission network to the premises of residential, commercial and industrial electricity users.

Multinet (79.9%) is a gas distribution company whose gas distribution network covers 1,700 square kilometres and serves approximately 649,247 customers in the eastern and south eastern suburbs of Melbourne. Multinet owns the distribution network assets used to transport gas from the high pressure transmission network operated by GasNet to residential, commercial and industrial gas users.

Alintagas Networks (25.9%) owns and operates four distribution networks in WA: Mid-West and South-West GDS (natural gas); Kalgoorlie GDS (natural gas); Vines GDS (LPG); and Albany GDS (LPG). These pipeline networks transport gas from WA's major onshore transmission pipelines to commercial and residential customers in Perth, Geraldton, Bunbury, Mandurah, Busselton and Kalgoorlie Boulder.

DUE (62.1%), Alinta and Alcoa co-own the Dampier to Bunbury Natural Gas Pipeline which is managed by Alinta. The pipeline is the only means of transporting gas from the north west coast gas fields in WA to industrial, commercial and residential customers in Perth and south west WA. The main pipeline extends 1,596km, with 258km of lateral pipeline.

Duquesne Light (29.0%) is a utility company based in Pennsylvania, United States, which provides electricity distribution and transmission services to over 587,000 customers.

The Fund believes that the focus by DUE on gas infrastructure will benefit from government and market responses to climate change.

## Goodman Group

The Goodman Group (GMG) is one of Australia's largest AREITs with total assets of \$8.58bn at June 2009, being a stapled security comprising a unit in the trust and a share in the management company. GMG has three inter-linked businesses, each based on industrial, warehouse and business park property, being ownership, development and management, with assets in Australia, New Zealand, Europe and Asia.

The Fund believes GMG is increasing its commitment to the Sustainable property space, through dedicated resources, participation in the CDP and the development of the Greenstar Industrial tool. In addition it has developed a sustainability policy, strategy and framework, and conducts employee engagement surveys annually.

## Henderson Group

Henderson Group (HGG) is an international UK based fund manager. HGG provides access to a broad range of asset classes including equities, fixed income, property, hedge funds and private equity for its institutional, retail and high net worth clients. As an independent global asset management firm, the company provides its institutional, retail and high net-worth clients with access to equities, fixed income, property and private equity.

As a significant investor, HGG plays a gatekeeper role in terms of sustainability and plays a positive role in assisting in the financial future of its customers. The company has a good corporate governance structure and strong risk management system.

## Iluka Resources

Iluka Resources Limited (ILU) is involved in the exploration, project development, operation and marketing of mineral sands. Operations are located in Australia and the United States. ILU also has a royalty over iron ore produced from specific parts of BHP Billiton's Mining Area C in Western Australia.

The WA-mid west operations comprise two mines and a processing/shipping facility at Geraldton, WA. The mineral sands produced are Rutile, Synthetic Rutile, Ilmenite and Zircon.

The WA-south west operations consist of mining, processing and upgrading facilities located 195-202km south of Perth. Secondary processing and upgrading facilities are located at Capel, 260km south of Perth. The mineral sands produced are Synthetic Rutile, Ilmenite and Zircon.

The Murray Basin operations are located near Douglas, Murray Basin of Victoria and comprise a wet concentrator plant and a mineral separation plant at Hamilton. ILU currently mines three deposits at Douglas: Bondi Main, Bondi West and Bondi East. Stage 2 expansion aims to develop additional deposits and extend the mine life to 2023. The mineral sands produced are Rutile, Leucoxene and Zircon.

CRL (51.04%) Located on North Stradbroke Island, near Brisbane, the operation consists of 2 dredge mines. The mineral sands produced are Rutile, Ilmenite and Zircon.

Virginia (USA) operations comprise 2 concentrators with separate concentrators feeding a common dry processing plant. Development of the Brink deposit will extend project's life to 2014. The mineral sands produced are Ilmenite and Zircon.

The Jacinth-Ambrosia project is located in the Eucla Basin of South and Western Australia and covers 2000km of coastline. First production expected mid 2010, ramping up to 300ktpa zircon in 2011.

With its primary business focus in mining, The Fund believes Iluka has to manage some significant environmental, social and workplace risks. Iluka Resources is a member of the Australian Minerals Industry Code of Environmental Management and produced a public environmental report. The Fund believes the publishing of the Public report and the initiation of a number of safety, environment and community initiatives reflects a commitment to improve performance in these areas.

An area of improvement is in the managing climate change risk and disclosure on how it manages human resources management issues. Iluka Resources has recently obtained a controlling interest in Consolidated Rutile and The Fund expects that the environmental and safety performance of this interest will improve as a result.

## Incitec Pivot

Incitec Pivot Limited (IPL) produces and distributes fertilisers and explosives. IPL has operations throughout the United States, Canada, Mexico and Australia. IPL supplies more than 50 per cent of Australia's agricultural nutrient needs.

The company has extensive manufacturing and distribution facilities. Key manufacturing and distribution sites are: Mt Isa, producing 1000ktpa Sulphuric Acid; Townsville, a distribution and export facility; Phosphate Hill in Qld, producing 950 ktpa of MAP and DAP; Gibson Island in Qld, producing 280 ktpa Urea, 290 ktpa ammonia and 200 ktpa ammonium sulphate; Cockle Creek in NSW, producing 250 ktpa of superphosphate; Geelong in VIC, producing 450 ktpa of superphosphate; and Portland in VIC, producing 250 ktpa Superphosphate.

Products include aqua ammonia, ammonium nitrate, aluminium sulphate solution, carbon dioxide, fluosilicic acid, palfos, potassium chloride, sulphuric acid.

As a major producer of fertiliser, Incitec has to address a number of major sustainability issues, such as the energy use and emissions from manufacturing as well as OH&S risks. The fund believes IPL has a strong safety focus and is improving its environmental performance of its facilities.

## Insurance Group Australia

Insurance Australia Group Ltd (IAG) is the largest general insurer in Australia and New Zealand, providing personal and commercial insurance policies under the brands NRMA Insurance, CGU, SGIO, SGIC and Swann Insurance. IAG also underwrites motor, home and some other lines of insurance for RACV in Victoria and has operations in Thailand, the UK, Malaysia and China.

With focus on insurance products, IAG plays a positive role in assisting in the financial future of its customers. As a significant investor it plays a gatekeeper role in facilitating social and environmental responsibility through its corporate governance and investment decisions. IAG is has improved significantly in terms of environment and workplace issues and has some of the best disclosure in the industry. It has successfully addressed the past corporate governance issues, which have been raised in the past and have continued with a number of community initiatives.

## IOOF Holdings

IOOF Holdings Limited (IFL) is an Australian financial services provider, offering financial products and portfolio administration services including investments, superannuation, immediate and deferred annuities, and investment trusts, in addition to financial planning and advisory, stockbroking, estate planning and administration, and trustee services. offering financial products and portfolio administration services including investments, superannuation, immediate and

deferred annuities, and investment trusts, in addition to financial planning and advisory, stockbroking, estate planning and administration, and trustee services.

IOOF Portfolio Solutions is responsible for creating, administering and distributing investment and superannuation administration services to advisers, their clients and employers: Master funds (Pursuit, IOOF Portfolio Service and LifeTrack), Investor Directed Portfolio Services and Corporate/employer superannuation.

IOOF Investor Solutions develops, manages and administers IOOF-branded structured products, including IOOF Multi Investment Manager and Trust Friendly society based products. Perennial Investment Partners is the specialist boutique asset manager, investing in six specialist investment management firms. Products include a range of specialist asset managers, including Australian equities, international and regional equities, property, fixed interest and cash, and multi-sector capabilities. Consultum Financial Advisers is the financial advisory arm of IOOF, created in 2006 by the merger of Winchcombe Carson Financial Planning and Financial Partnership. With a national adviser-base numbering over 110, Consultum offers personal advice as well as dealer services to other financial advisers. Bridges, Wealthmanagers and Ord Minnett round out the division.

## Kingsgate Consolidated

Kingsgate Consolidated Limited (KCN) is a gold producer and exploration company. The company owns and operates the Chatree Gold Project, located in central Thailand. Through the acquisition of Dominion Mining, KCN is also operator of the Challenger gold project as well as numerous smaller projects.

The Chatree gold deposit is located 280km north of Bangkok, Thailand. Mine life is approximately 12 years with scope for expansion. Total mineral resources including ore reserves as at 30 June 2010 for the project were 127.6Mt @ 0.93g/t Au and 7.3g/t Ag for 3.81Moz Au and 29.93Moz Ag. Total reserves were 61.7Mt @ 0.97g/t Au and 9.4 g/t Ag for 1.93Moz Au and 18.63Moz Ag. Resources and reserves have been calculated based on a 0.4g/t Au cut off grade and a 3 year average gold price of US\$950. Production will expand to 200oz per year by mid 2011.

The Challenger Gold Project is located in the Gawler Craton in SA and contains the Challenger deposit. The Challenger Gold mine has been in production since October 2002. Resources to June 2010 were 950,220oz of gold containing reserves of 421,650oz. Production is expected to run another 7 years at production of 100,000oz per annum.

As a gold miner in Thailand, KCN is subject to significant sustainability issues. However, KCN has certified safety and environmental management systems and is a signatory and audited to the International Cyanide Management Code. In addition, it has strong local community support with local supplier and employment policies. It is the only gold miner certified to Social Accountability Std of SA8000.

## Lend Lease Group

Lend Lease Group (LLC, formerly Lend Lease Corporation Limited) is a vertically integrated property group founded in Australia in 1958. Operations are divided into five groups: Retail - shopping centre development and ownership; Communities - residential development; Public Private Partnerships (PPP) - construction and management services; Construction - through the Bovis Lend Lease brand; and Investment Management.

Lend Lease provides a wide range of real estate-related services (ranging from investment management through to commercial credit services, development, financing, construction and project management) to the market. As a result of the significant construction involvement, Lend Lease needs to manage some significant OH&S risks, community and environmental issues. As one of the world's leading real estate and development companies, Lend Lease plays a "Gatekeeper/Sensitive" role in alignment with sustainability.

LLC is managing its sustainability impacts through its commitment to environmentally sustainable development and workplace safety, disclosure of information in its sustainability report, and its work with the community to ensure harmonious community relations.

## Macmahon Holdings

Macmahon Holdings Limited (MAH) operates as an engineering contractor focused on delivering specialised services to clients in Australia, New Zealand and Malaysia. The company's core business includes diversified construction and mining services which span the marine, transport, water, rail and resource sectors.

The Construction Business undertakes key infrastructure projects including roads, bridges, railroads, ports and dams. Current projects include the Mitchell Freeway extension in Western Australia, the Jilalan Rail Yard Upgrade in Queensland and the Darwin Waterfront Project in the Northern Territory.

The Mining Business provides a total service for open cut and underground operations, managing mines for major customers in Australia, New Zealand and Malaysia. Current underground contracts include works at the Argyle Diamond Mine in the Kimberly region of Western Australia and the Olympic Dam project in South Australia. The open cut division's current contracts include the Ore Body 18 Mine in Western Australia as well as the Eaglefield and Saraji coal mines in Queensland.

Freight Link is the operating company of Asia Pacific Transport Pty Ltd (APT), which is contracted to build, own and operate the Alice Springs to Darwin railway for a 50-year concession period. MAH owns 7% of APT

MAH now has four contracts for Lafarge SA, the world's largest cement manufacturer. These are located in Indonesia, Malaysia and Nigeria. As at 16 February 2010, mobilisation was underway for MAH's first underground construction contract in Hong Kong.

McMahon Holdings have certified quality, safety and environmental management systems and have produced a public environmental report for the last 3 years. It has demonstrated a continual improvement in LTIFR over the last 4 years.

## Macquarie Group

Macquarie Group (MQG) is Australia's leading listed investment bank. It is a provider of banking, financial, advisory, investment and funds management services. It is split into six operating groups and has offices over the world: Macquarie Capital (corporate advisory, equity, debt and private capital markets businesses), Macquarie Securities (including institutional and retail derivatives, structured equity finance and securities borrowing and lending), Fixed Income, Currencies and Commodities (variety of trading, research, sales and financing services), Macquarie Funds Group (full-service asset manager), Banking and Financial Services (relationship manager for the Macquarie Group's retail client base) and Corporate and Asset Finance Group (lending and leasing business). As a significant investor and lender it plays a gatekeeper role in facilitating social responsibility through its corporate governance and investment decisions.

## National Australia Bank

National Australia Bank (NAB) is a large financial services group providing a comprehensive and integrated range of financial products and services throughout Australia, New Zealand and parts of the United Kingdom. NAB is the largest financial services institution listed on the ASX by market capitalisation. Australian banking operations dominate and represent 60% of group assets.

Business and Private Banking operation are involved in the provision of lending, deposit, transaction and merchant services to businesses and high net worth individuals in Australia. Its structure is based on relationships with over 800,000 customers. The Company is Australia's largest business lender with a market share of 19% and largest business deposit-taker with a market share of over 24.9%.

Retail Banking provides lending, deposit and transaction services to approximately 3.2 million retail customers through physical distribution and virtual distribution network. The key areas of focus for Retail Banking have been the re-ignition of the sales channel and product innovation.

Under the MLC brand, Wealth Management provides investment, superannuation and insurance solutions to 1.9 million retail and corporate customers in Australia and Asia.

NAB Australia is also responsible for the banking and wealth management activities in Asia. The Wealth businesses in Hong Kong and Indonesia were sold to AXA Asia Pacific. The remaining businesses have been consolidated with Hong Kong as the primary base supporting both the Tokyo and Singapore branches. The business commenced a strategic alliance with China Union Pay which claims to have up to 99% of the credit and debit card market in China.

The UK division consists of banking and wealth management activities in the UK that provide financial solutions to approximately 3.1 million customers in the UK. It operates under two brands, Clydesdale Bank and Yorkshire Bank, within one legal entity, Clydesdale Bank PLC.

NAB's prime focus is on banking and investment and therefore it can help the financial situation of its customers. As a significant investor and lender, it plays a gatekeeper role in facilitating social responsibility through its corporate governance and investment decisions.

NAB has responded to the need for providing banking services to low income and older members of the community with the recently announced National Concession Card Account, effectively offering fee-free banking for National customers who are pensioners or healthcare cardholders.

NAB is a significant corporate sponsor with sponsorship programs, community partnerships and staff community support programs, supporting community, health and volunteer groups.

As with many banks in Australia, the Fund sees the key challenge that NAB faces are the responsible management of its investments and lending practices to include environmental and social issues. It needs to meet the community's expectations of banking services to regional and rural Australia and less advantaged groups. Another area of concern is the bank's business risk-management practices, such as its exposure to Irish Bank.

## NRW Holdings

NRW is a Western Australian based provider of services to the resources sector. The Company provides civil contracting services including rail formation, bulk earthworks, mine development, road and tunnel construction and a range of contract mining services.

NRW's civil contracting and mining services are complemented by its Promac division, which offers the rental and sale of new and used heavy mining and ancillary equipment and its Action Mining division which provides a variety of equipment repair and maintenance services.

NRW's established relationships with blue chip clients will enable it to capitalise on its exposure to the favourable conditions in Australia's resources sector. In particular, NRW is expected to benefit from major iron ore expansion plans announced recently by key clients including Rio Tinto, BHP Billiton and Fortescue Metals Group. NRW also has the opportunity to expand the range of industrial services it provides to its customer base and the size and scope of projects that are undertaken.

## Oil Search

Oil Search is principally involved in oil and gas exploration, development and production in PNG, although Oil Search also has interests in Australia and South East Asia.

Oil Search's Principal oil and gas production projects in PNG are at Kutubu Hides, Gobe/SE Gobe and Moran. The Hides Gas to electricity project in PNG, PDL 1 produced 4.98 Mbbls. The Kutubu development projects (oil) in PNG produced 4 128 Mbbls. The Moran Central Development and extended Well Test PDL2 (27.135%) combined with PPI138 (52.5%) produced (oil) 3 196 Mbbls. The Gobe main project in PNG produced (oil) 1 658 Mbbls and the SE Gobe produced 8 402 Mbbls. The Company also has some interest in North Africa (Tunisia) and Middle East (Yemen and Kurdistan/Iraq)

The most important development in the near term is the PNG LNG development. Exxon is the developer and will be operator of the LNG facility.

The combustion of fossil fuels is the major source of greenhouse gas emissions. Oil Search's main business is in oil production, though with the PNG LNG project will result in a significant change in direction.

Oil Search has operations with high environmental, social and OH&S risks as it operates in environmentally and culturally sensitive areas of PNG. However, Oil Search appears to have comprehensive environmental and OH&S management systems in place, with particular emphasis on complex social and political issues in PNG. In 2010, the company issued its first sustainability report. One of the challenges for OSH is the management of ESG issues around the development and operation of the PNG LNG plant, which it does not operate.

## Orica

Orica Limited (ORI) is a manufacturer of industrial and specialty chemicals, commercial explosives and mining chemicals in Australasia. Following the 2010 demerger of the consumer products business, DuluxGroup, ORI has three business groups; Mining Services, Orica Chemicals and Minova.

Orica Mining Services offers a range of blasting products, services and technology to the mining, quarrying and construction industries. The business is run globally with a presence in Australia, Asia, Europe, Africa, North America and Latin America. Mining Services' product range can be divided into broad segments including Initiating Systems, Ammonium Nitrate, Bulk Explosives and Packaged Explosives.

Orica is a major supplier of chemicals, services and technology to the water treatment, mining chemical and industrial chemical markets. The business is based in Australia and has operations in the United States and the United Kingdom. Chemical Services operates three separate business units: Watercare, Mining Chemicals and Industrial Chemicals.

Minova provides specialist chemical products for underground mining and civil engineering activities. These products include resin capsules, powders and injection chemicals for use in strata support, ground consolidation and ventilation systems.

With its primary business focus in chemical manufacturing and with operations in Asia and South America, Orica has to manage some significant environmental, social and workplace risks. The company is a leader in OH&S systems. Also, Orica is a Greenhouse Challenge member as well as a member of the Chemical Industry Responsible Care initiative. The company is moving towards a more performance-oriented culture and has increased focus on product stewardship.

## Origin Energy

Origin Energy Limited (ORG) is a major Australasian integrated energy company involving gas and oil exploration, production, energy retailing and power generation. They provide gas and electricity to more than 3 million homes and businesses across Australia, New Zealand and the Pacific.

Origin Energy's current 2P reserves are estimated at 2,430 Pje, as at May 2008. The company's exploration strategy is to add gas reserves which can access existing infrastructure and local markets, which includes offshore and onshore acreage in the Otway and Perth basin, the offshore Bonaparte Bass Basins and the onshore Cooper/ Eromanga and Surat and Bowen Basin in Australia and in the Taranaki, Northland and Canterbury Basins of New Zealand.

Retail products and services span, natural gas, LP Gas, electricity and an electricity trading function, which buys and sells electricity on the spot market or the National Electricity Market (NEM). ORG serves customers nationally and is also the major supplier of LP Gas in the Pacific, including Papua New Guinea, The Solomon Islands, Fiji, Vanuatu, Tonga, Samoa, American Samoa and the Cook Islands. In a joint venture with Caltex (called Vitalgas), the company also retails automotive LP Gas to more than 800 service stations throughout Australia.

Origin operates four power stations and has interests in a portfolio of cogeneration plants which supply electricity and steam under long-term contracts. The company is also developing a set of renewable technology options which produce power with low or no greenhouse gas emissions. These include: SLIVER technology and hot rocks via a 14.3% interest in Geodynamics.

In October 2004, Origin purchased 51.4% interest in Contact Energy. With around 515,000 electricity customers and 79,000 gas customers, Contact is one of New Zealand's largest energy retailers and generates around 27% of New Zealand's electricity. Contact is listed on the New Zealand Stock Market, and has around 95,000 shareholders. It employs nearly 800 people and has its head office in Wellington. With the need to move to lower carbon intensive fuels, the Fund believes Origin, as a major provider of energy with an emphasis on natural gas, offers the potential to make a significant contribution to the transition to a more sustainable economy. However, in the exploration and production of natural gas and with the provision of energy services, there are some significant environmental, safety and social issues to address.

Origin has an integrated safety and environmental management systems in place. Origin has also undertaken a number of initiatives to minimise greenhouse gas emissions, such as the AGO GGAP Program, funding solar photovoltaic research, energy efficiency programs and commercial arrangements, such as cogeneration and landfill projects. Origin Energy is a leader in the provision of Green Power to retail electricity consumers and is considered by environmental NGO groups as a market leader.

Origin has assisted in the development of education material to assist homeowners to understand and manage the risks associated with electricity and gas use in the home. Origin published their first sustainability report based on GRI guidelines in May 2003.

## Pan Australian Resources

PanAust Limited (PNA) is a copper-gold miner with operations in South East Asia and has a portfolio of organic growth projects in both commodities. PanAust is headquartered in Brisbane with its operations in Laos, Thailand and Chile.

The company's main focus is on developing the Phu Bia Gold Project in Laos. Pan Australian has completed a successful feasibility study on the Laos project for a 50,000 ounce per annum gold mine. The Company has commenced site development works including the construction of a mine camp and site haul roads. In August 2004, Pan announced the issue of \$30 million worth of ordinary shares to finance the Phu Bia Gold Project.

The Puthep Copper Project is located in north-east Thailand. Two copper deposits exist containing resources as at June 2004 of 121Mt at 0.4% copper (Cu) for 520,000t Cu. The prefeasibility study completed in 2001 indicated that the project was potentially viable based on heap leaching and solvent extraction and electro winning (SX-EW). The study was based on mining 7Mtpa to produce 30,000tpa of LME standard Cu at an average price of US\$0.50/lb.

The Phu Kham copper-gold porphyry deposit (80%) partly underlies the oxide gold cap (part of the Phu Bia Gold Project). As at September 2003, resources at the Phu Kham Copper Gold project were 108Mt at 0.8% Cu and 0.3g/t Au for 900,000t Cu and 1.2Moz Au (using 0.5% Cu cut-off). Development of the mine site is due to commence in Mid-2005.

PNA as a copper and gold miner in Laos has some significant SHE, HRM and community issues to manage. The company is subject to the Equator Principles and as a result has developed SHE systems and reports on SHE performance. It is also a signatory to International Cyanide Management Code but has not been audited to the standard. Also, PNA displays a good commitment to local community development and employment and effective employee management.

## QR National

QR National Ltd (QRN) is Australia's largest rail freight operator. It operates in five states transporting coal, iron ore, other minerals, agricultural products and general freight, as well as containerised freight. The company is the world's largest rail transporter of coal from mine-to-port for export markets. Post-IPO, the State of Queensland will retain between 25 and 40 per cent of the shares in QRN.

QRN is focused primarily on large, heavy haul rail tasks such as the transportation of coal, iron ore, other minerals, agricultural products and general freight as well as containerised freight. QRN operates and manages approximately 2,300km of largely dedicated and purpose built, heavy haul rail infrastructure, known as the Central Queensland Coal Network (CQCN), under 99 year lease arrangements with the State (Queensland Treasury, the Department of Transport and Main Roads and Queensland Rail) which commenced in July 2010.

Whilst exposed to the coal industry, rail transport has relatively low ecological footprint. The company has certified quality management systems and have shown strong improvements in health and safety in recent years.

## Resmed

ResMed Inc. (RMD) is a developer, manufacturer and distributor of medical equipment for diagnosing and managing Sleep Disordered Breathing (SDB). ResMed operates in over 60 countries and has offices in Asia, Europe, North America, Australia and New Zealand. The product range includes flow generators, diagnostic products, mask systems, headgear and other accessories.

Resmed is an "Industry of the Future" company with a focus on improving sleeping patterns and potentially reduce the incidence of diabetes. The business has a quality and customer focus. RMD is committed to public and physician education of sleep medicine.

## Rio Tinto

Rio Tinto finds, mines and processes mineral resources. Principal products include, aluminium, copper and iron ore, which account for over 85% of earnings. This will increase as a result of the acquisition of Alcan in 2007. RIO also has interests in diamonds, gold, iron ore and nickel; energy minerals (coal and uranium); and industrial minerals (borates, salt, talc, titanium dioxide feedstock, and zircon). RIO operates in more than 20 countries employing 34,000 people with operating assets of US\$16 billion. As part of the acquisition of Alcan and a review of investments, RIO divested of its interest in Lihir Gold, Tarong thermal coal mine in Qld, and its US Thermal Coal Energy assets, Rio has also divested Alcan's packaging business and engineered products division. Prior to the acquisition of Alcan, approximately 49.1% of

earnings were from Australian operations, 24.1 % from North American, 7% from South American and 4% from Indonesian operations.

With its primary business focus in mining, RIO is considered to have to manage some significant environmental, social and workplace risks.

RIO is a leader with respect to safety performance and community/indigenous relations. RIO is also a member of the Australian Minerals Industry Code of Environmental Management, have produced a number of well received Public Sustainability Reports. It has also been one of the prime players in the Global Mining initiative. In addition, RIO was one of the first mining companies to take positive and proactive view on Aboriginal land rights and employment and has taken a more positive position towards climate change over the last couple of years.

The acquisition of Alcan has resulted in a significant change in profile for RIO, in terms of ESG issues. Alcan has 91% of operations ISO14011 and AS4801 certified; demonstrated improvement in safety performance; demonstrated decrease in greenhouse gas emissions and is a leader with respect to sustainability reporting. 59% of Alcan's smelter energy comes from renewable energy (hydro), 8% nuclear and 8% gas, making Alcan the lowest greenhouse gas emission/tonne of Aluminium produced of any aluminium company. By comparison, approximately 61% of RIO's smelter production, on an equity basis, comes from hydro or nuclear energy.

The disposal of the Taronga mine decreases Australian thermal coal production by 22% and the disposal of the US Energy assets will significantly decrease in Rio's production of thermal coal by the order of 85%. Emissions associated from the US Energy Assets account for approximately 1% of global greenhouse gas emissions and one of the major sources of mercury into the US environment.

However, RIO owns and operates a number of uranium mines, one in Namibia and the other in Australia. RIO plan to dispose of two other uranium interests (Kintyre and Sweetwater). RIO's equity share of production represents approximately 12% of world uranium production. However, these operations are not material from a revenue or EBITDA perspective, representing between 1.8-2.4%.

One of the key challenges for RIO is the management of the relationship with joint venture partners and the environmental and social impacts of these operations. For example, RIO is a principal investor in the Freeport Copper mine in West Papua, which has significant negative environmental impacts as a result of riverine tailings disposal and has JV with Norlisk Nickel, which has poor safety and environmental record.

Given the environmental, social and governance performance of the combined RIO/Alcan entity and the disposal of the US Energy Assets, an investment in RIO is considered to be consistent with the fund's ESG mandate.

## SAI Global Ltd

SAI Global Limited (SAI) is an applied information services company that helps organisations manage risk, achieve compliance and drive business improvement through its information services, compliance and assurance divisions. Products and services are based on a collection of more than 6,500 Australian Standards, in addition to foreign standards, International Standards and other business improvement methodologies.

The Information Services division is involved in: distributing technical and business information such as Standards, legislation other technical information; providing internally developed intellectual property such as bibliographic databases and property certificates; and, providing conveyancing and lending work flow solutions.

The Compliance division provides solutions and services in the areas of compliance, regulation, ethics, risk management and corporate governance solutions. This includes: newsfeeds, alerts and databases covering key compliance and regulatory topics; governance, risk and compliance (GRC) solutions that catalogue, monitor, update, notify and manage a company's operational GRC needs; e-learning courseware providing both audit and compliance learning management capability; and, whistleblower and related case management and incident reporting services.

The Assurance Services division is involved in: assessing system and product conformity to international and locally based standards, supported by the "five ticks" StandardsMark; providing tools for improving critical business processes; and providing Standards related training and business.

As a business improvement support services company, SAI plays an "Enabler" role in alignment with sustainability of companies.

## Santos

Santos Limited (STO) is an oil & gas exploration & production company. The company produces natural gas, liquefied natural gas, crude oil, ethane and liquefied petroleum gas both for domestic and export markets.

Santos has interest in Central Australia: in the Cooper/Eromanga and Amadeus Basins in central Australia including Moomba, Jackson and Ballera and the Port Bonython liquids processing facility near Whyalla, SA. Northern Australia: in QLD (other than the Cooper/ Eromanga Basins), NT and Timor Gap, including the Bayu-Undan liquids, LNG and pipeline projects. Western Australia: in the Carnarvon, Browse and Houtman Basins and the Timor Sea offshore WA, including the Mutineer-Exeter oil discovery; Stag, Thevenard Island, Legendre and Barrow Island oil fields; and East Spar gas and condensate field. Southern Australia: in the Otway (onshore/offshore), Sorell, Gippsland and Duntroon Basins in the south-east of Australia.

Santos produces and explores oil, gas and liquids in south Texas and Texas/Louisiana Gulf Coast.

Santos has interests in offshore East Java and Kalimantan and onshore West Papua, Indonesia; and onshore Papua New Guinea.

Santos has agreed by farm-in to acquire a non-operated equity position in three exploration Concession Agreements, in the Gulf of Suez, from Devon Energy. The agreement is subject to the formal consent of the Egyptian government.

With the need to move to lower carbon intensive fuels, the Fund believes Santos, as the major natural gas provider to SA and NSW, offers the potential to make a significant contribution to the transition to a more sustainable economy. However, in the exploration and production of natural gas, there are some significant environmental, safety and social issues to address.

As part of managing its environmental responsibilities, Santos has developed an environmental management system, which includes a number of field handbooks, procedures and guides. The management system covers potential; aboriginal cultural and natural environment impacts. Santos has an extensive auditing and non-conformance reporting system and provides a detailed report to the SA government on all exploration and production activities.

Santos's safety performance has also improved over the last 4 years and is a major sponsor of a number of cultural initiatives in SA and Queensland.

## Sims Metal Management

SIMS Metal Management Limited (SGM, formerly Simsmetal Ltd and Sims Group Ltd) recycles ferrous and nonferrous metals and a variety of other materials ranging from other metals to plastics, electronics, tyres and refrigerators. The company has operations in Australia, New Zealand, North America, Asia and Europe.

SGM has operations encompassing the buying, processing and selling of ferrous and non-ferrous recycled metals. Ferrous: SGM buys ferrous metal from metal dealers, peddlers, auto wreckers, demolition firms and from manufacturers who generate industrial metal. The company then processes the ferrous metal for resale through sorting, shredding, cutting, torching, baling or breaking. After processing, ferrous recycled metal is sold to end users such as electric arc furnace mills, integrated steel mills, foundries and brokers. Non-ferrous: SGM source non-ferrous metals from manufacturers, generators of electricity, telecommunication service providers, and others, who generate obsolete metal. In addition, non-ferrous metal is sourced as a by-product from SGM's own ferrous shredding operations.

Recycling Solutions offers a recycling service for "end of life" and redundant electrical and electronic equipment and materials, ranging from product assessment to recycling. SGM's services enable clients to comply with their responsibilities under relevant environmental regulations, including the European Union's WEEE legislation. SIMS Lifecycle Services is a specialist division of Recycling Solutions. It is a business-to-business IT and electronic equipment asset management and recovery business. The division manages and controls the entire asset management process, including transport, coordination, product identification, asset registration and reporting. It offers its clients the option of redeployment, reclamation of parts and/or resale and recycling, delivering legal compliance as well as a potential financial return from the resale of refurbished equipment.

## Stockland

Stockland (SGP) is a global property development and investment management group, founded in 1952. It holds a diversified portfolio of retail, commercial and industrial investment properties across Australia, the UK and Europe

together with a UK based property company, an Australian retirement communities portfolio and an extensive residential land bank and development pipeline.

As at December 31 2008, SGP's investment property portfolio comprised 37 shopping centres, 36 office buildings and 27 industrial properties valued at over \$8.5 billion and contributing 72.0% of operating profit.

SGP acquired Halladale Group Plc in May 2007, completed an integration and rebranded in June 2008 as Stockland UK. The company undertakes on balance sheet development projects and co-investment joint ventures, having \$2.3 billion in property funds under management. Following fair value adjustments, the company did not contribute to operating profit in FY07, but made a small contribution in FY08 and is expected to be earnings accretive from FY09.

SGP is a long established residential land subdivider and developer, with an extensive residential land bank. Having diversified into apartment development, the group has also entered the retirement community market through the acquisition of Australian Retirement Communities in February 2007. With a residential land inventory of \$2.98 billion and retirement assets valued at \$1.5 billion at June 30 2008, the residential development and retirement communities businesses contributed 37.5% of operating profit as at June 30 2008.

As a company the Fund considers Sensitive/Gatekeeper in relation to sustainability because of its work in both construction and property investment, SGP is a leader. It has the demonstrated ability to reduce the environmental impacts of property across the value chain and understands the critical environmental debate in the property sector. It is an acknowledged 'Top Company for Leaders' and has very high levels of employee engagement. SGP recognises the emissions trading scheme as a key issue for the industry and is well placed. SGP is also increasing its affordable housing offering.

## STW Communications Group

STW Communications Group Limited (SGN) is an Australian marketing communications group. The Group is made up of 70 operating companies that work across marketing communications, content and production disciplines: Advertising; Media; Insights and research; Branding; Public relations and government relations; Brand activation and specialist communications. The Group's services are offered in several major countries, including: Australia; New Zealand; the UK; the USA and Hong Kong.

As a conglomerate of companies within marketing communications, content and production, research and branding, SGN is an enabler in terms of sustainability. We believe the company should benefit from the shift to a digital world and the company has strong focus on talent management and innovation.

## Suncorp Group

Suncorp-Metway Ltd (SUN) is a Queensland-based financial services conglomerate offering general insurance, retail and business banking, and wealth management services.

SUN has retail and business banking outlets across Australia, but mainly in Queensland. Retail Banking provides home and personal loans, savings and transaction accounts, margin lending, credit cards and foreign currency services to over 800,000 customers through 177 retail outlets, ATMs, call centres and on-line banking. Business banking focuses on the needs of small to medium sized businesses, providing commercial banking services like working capital management and term finance.

Upon the merger with Promina, SUN is Australia's third largest general insurance group. This division offers personal insurance products such as home and contents and personal effects cover, motor and boat, Compulsory Third Party (CTP) insurance, workers compensation and a range of commercial insurance products tailored to the small to medium businesses. SUN is the largest CTP provider in Queensland, insuring more than 1.5 million vehicles in the state. Through GIO, SUN provides workers compensation services in NSW, ACT, WA and Tasmania to over 120,000 business clients, from small to medium private sector employees through to self managed private and government enterprises. GIO has a 19 percent market share in New South Wales.

The Wealth Management division provides wealth management products and services for more than 600,000 individual and small business customers. Products include superannuation (personal, allocated pension and employer sponsored), managed investments (unit trusts), life insurance products (such as term life, trauma and disability insurance), and financial planning and advice through a network of 396 financial advisors and 4,500 planners.

Suncorp Metway's prime focus is on banking, investment and insurance, having the potential to play a positive role in assisting in the financial future of its customers. As a significant investor and lender it plays a gatekeeper role in facilitating social responsibility through its corporate governance and investment decisions. Suncorp-Metway has a strong regional focus with the provision of financial services and community support, through sponsorship and charities, throughout Queensland.

## Telecom New Zealand

Telecom Corporation of New Zealand Limited (TEL) is the predominant NZ telecommunications service provider, offering a range of services and products to consumers and businesses. Telecom also carries voice and data traffic on the Southern Cross Cable and other cable and satellite systems. Telecom operates the following business units: Telecom Retail, Gen-I, Chorus, Telecom Wholesale and AAPT-PowerTel. In 2008 Telecom implemented the operational separation of its business units in accordance with undertakings finalised following the 2006 amendments to the Telecommunications Act 2001.

The Telecom NZ Group supports New Zealanders and Australians through a wide range of sponsorship and other support programs. Telecom NZ has budget of \$30million a year for sponsorships in community, education sports, arts and business

## Telstra

Telstra (TLS) is Australia's largest telecommunications and information services company, providing products and services that cover all aspects of the telecommunications industry in Australia. Telstra is the national universal service provider, so it must ensure that telephone services are reasonably accessible to all people in Australia. It is Australia's largest provider of internet services with more than one million customers.

With its primary business focus in telecommunications, Telstra provides an important avenue for the communication of information therefore it facilitates education, entertainment and improved business practices. As the largest provider of these services in Australia, there is a significant social/community obligation to provide affordable access to its services. This has been one of the key focuses of Telstra over the past couple of years with the development of Customer Service Charter and Performance review report.

In recent years, Telstra has succeeded in improving occupational health and safety and environment performance. It has also been recognised with an industry human resource management award. It has produced six public environmental reports outlining both the development of its environmental-management systems and its environmental performance, and three Corporate Social Responsibility reports. An example of its environmental initiatives is the industry initiative to recycle over 10 million disused mobile phones in Australia. In addition, Telstra is a major sponsor of community and cultural events and groups.

The Fund's main areas of concern for Telstra is its ongoing commitment to provision of affordable services to the public and its fair competitive behaviour in terms of allowing other communication providers access to the Telstra physical infrastructure.

## Virgin Australia Holdings

Virgin Australia Holdings Limited (VAH, formerly Virgin Blue Holdings Limited) established itself as a low-cost carrier under the new brand 'Virgin Australia' for both domestic and international operations. Domestic operations use the fleet of Boeing 737 aircraft, Airbus A330 aircraft and Embraer 170 and 190 aircraft. This comprises Australian domestic flying. The Group's Velocity Program is also reported within domestic operations.

International Operations use a mix of Boeing 777 aircraft and Boeing 737 aircraft. This comprises Trans-Pacific, Abu Dhabi, Trans-Tasman and Pacific Island flying. Virgin Australia has alliances with Etihad Airways, Air New Zealand, Delta Air Lines, Singapore Airlines and Skywest.

Skywest. According to the Fund, VBA faces a number of challenges common in this sector, including greenhouse gas emissions, employment relations, safety, and community noise impacts. VBA is leading on climate change in Australia, with both a commitment to continue fuel efficient modern fleets and introducing the option for customers to carbon neutralise their emissions. VBA is also active in waste minimisation and through its charging at point of sale on board the aircraft and minimal international flights, it does not face the waste challenges of competitors. VBA has developed a strong human capital management culture and has strong safety systems, although safety performance is mixed.

## Wesfarmers

Wesfarmers Limited (WES) is a diversified covering supermarkets, department stores, home improvement and office supplies; coal mining; insurance; chemicals, energy and fertilisers; and industrial and safety products. Wesfarmers employs more than 200,000 people across Australia and New Zealand.

Within Supermarkets, brands include Coles and BI-LO supermarkets, 1st Choice Liquor Superstores, Liquorland, Vintage Cellars and Coles Express. Within Home Improvement & Offices Supplies, Bunnings is a retailer of home improvement and outdoor living products in Australia and New Zealand and a supplier of building materials, commercial tradespeople and the housing industry. Officeworks is a retailer and direct supplier of quality office and technology products.

In the Retail segment, Target and Kmart are mainly involved in clothing and homewares retailing nationwide. In Resources, Wesfarmers Resources is an Australian open-cut miner and is a metallurgical coal producer with interests in three coal mines. The division's operations comprise the Curragh mine in Queensland's Bowen Basin, the Premier Coal mine at Collie in Western Australia's south west and a 40% interest in the Bengalla mine in the Hunter Valley of New South Wales.

In the Insurance segment, Wesfarmers Insurance operates in the general insurance and financial services sector. The Wesfarmers Chemicals, Energy & Fertilisers division operates chemical, gas and fertiliser businesses that service a range of sectors in both domestic and international markets. Wesfarmers Industrial and Safety division is a supplier of industrial and safety products and services in Australia and New Zealand.

Finally, Wesfarmers have a 50% stake in Gresham Partners, 50% in Wespine Industries and 23% in BWP Trust.

According to the Fund, Wesfarmers operate in a diverse range of industries, ranging from "Controversial" business divisions such as thermal coal mining, through "Sensitive" divisions such as chemicals to "Industry of the Future" divisions such as the safety division. Overall, Wesfarmers is considered to be "Sensitive", with a number of divisions having significant environmental and OH&S risks.

The Fund is concerned about some of the supply chain risks for Wesfarmers. However, the fund notes that numerous of Wesfarmers operations are certified to or developing ISO14001 environmental management systems and have been improving overall environmental performance. Similarly most business divisions have detailed OH&S management systems. The environmental and OH&S performance of Wesfarmers is reported in public annual EH&S reports. In addition, many of the divisions are quality certified. Finally, Wesfarmers' alcohol exposure is below that of the Fund's threshold for financial materiality.

## Westfield Group

Westfield Group (WDC) is an internally managed, vertically integrated, shopping centre group established by the merger of Westfield Holdings, Westfield Trust and Westfield America Trust in July 2004. WDC has interests in and operates the shopping centre portfolio of 119 regional shopping centres in Australia, New Zealand, USA and United Kingdom, with a total value of assets under management of A\$58.6 billion.

Westfield Holdings is the Group's management and funds management provider. It participates in development, design, construction, leasing, marketing and management services to the shopping centres and is the funds manager for the property trusts in the Group.

WDC is involved in three main operations: property investments in shopping centres, property and project management and development. The portfolio comprises 119 major shopping centres and 23,887 retail outlets, with 96.7% portfolio leased as at June 2011. The total AUM of A\$58.6 billion consist of 54% in Australia, 4% in New Zealand, 28% in USA and 14% in United Kingdom.

## Westpac Banking Corporation

Westpac Banking Corporation (WBC) is Australia's oldest bank operating a significant banking franchise in Australia and New Zealand with balanced exposures to retail, corporate and institutional sectors.

Consumer Financial Services is responsible for sales, services and product development for consumer customers across Australia and manages third party consumer product relationships and the retail branch operations in Hong Kong and Singapore.

Business Financial Services is responsible for sales, service and product development for small and medium sized business customers in Australia. It also has responsibility for group-wide working capital and specialised trade solutions operations and the management of third party business product relationships.

Westpac Institutional Banking provides financial services to the corporate and institutional customer base, assisting and advising in the management of cash, funding, capital and market risk for companies and institutions in Australia and New Zealand.

New Zealand Retail provides a full range of retail and commercial services to customers throughout New Zealand. It is a leading provider of banking services to small to medium business and is the banker of the New Zealand government.

Pacific Banking provides a full range of deposit, loan, transaction account and international trade facilities to personal and business customers.

Westpac's prime focus is on banking and investment and therefore the bank can help the financial situation of its customers. As a significant investor and lender, it plays a gatekeeper role in facilitating social responsibility through its corporate governance and investment decisions.

Westpac has been one of the first Australian financial institutions to commit to environmental and social initiatives including being a signatory to the UNEP financial initiative, the Australian government's Greenhouse Voluntary Reduction Scheme (Greenhouse Challenge Program), and development of a Social Accountability report.

Westpac has charitable funds that fund community and healthcare projects. Westpac has developed good employee programs, covering areas such as business ethics and discrimination, work safety and employee professional development.

As with many banks in Australia, the Fund sees some of the key challenges Westpac faces include the responsible management of its investments and lending practices to include environmental and social issues. It must also meet the community's expectations of banking services to regional and rural Australia and disadvantaged groups.

## Woodside Petroleum Limited

Woodside Petroleum (WPL) is an Australian based oil and gas company. WPL sells liquefied natural gas, natural gas, crude oil, condensate and liquid petroleum gas to various large customers. WPL has primary business segments in North West Shelf Ventures, Australia Business Unit, Middle East & Africa Business Unit Exploration, United States of America Business Unit, and Group and Unallocated. WPL is 34% owned by Shell Australia.

Woodside's main business is the operation of the North West Shelf JV (16.7%), which is one of Australia's largest resource development projects, which focuses on production of liquefied natural gas (LNG) for export, domestic gas, condensate and liquefied petroleum gas (LPG).

Other Woodside interests include the Legendre oil field (45.94% interest) in the Carnarvon Basin and the Laminaria and Corallina fields (approximately 45-50% interest) in the Timor Sea.

Woodside has a significant exploration strategy in core Australian acreage and developing international interests in Mauritania, Cambodia, the Gulf of Mexico, Algeria and Papua New Guinea.

Woodside also owns Metasource Pty Ltd, which focuses on clean, environmentally friendly, economic and socially acceptable energy solutions.

With the need to move to lower carbon intensive fuels, Woodside, with its focus as a major natural gas provider to WA and the export market, offers the potential to make a significant contribution to the transition to a more sustainable economy. However, in the exploration and production of natural gas, there are some significant environmental, safety and social issues to address.

As part of managing its environmental responsibilities, Woodside has developed an environmental and safety management system to a standard equivalent to ISO14001 and ISO4801. These management systems have facilitated improvement in OH&S and environmental performance, as demonstrated by improvement in OH&S accident data and decrease in NOX and Hydrocarbon air emissions at the Karratha Gas Plant.

Woodside has also established a number of programs to assist in the skill development and local employment opportunities for the indigenous communities in the NW.

The Fund views the main issues for Woodside as its response to the Emissions Trading Scheme, the Timor Gap Treaty negotiations with East Timor and the continued operation in the environmental sensitive Burrup Peninsula.

## Contact us

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