



Institutional Investor Interest in Cleantech

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Australian Reward Investment Alliance (ARIA)

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ARIA is the trustee responsible for the investment, management and administration of three superannuation schemes for Australian Government employees:

The Commonwealth Superannuation Scheme (CSS);

**The Public Sector Superannuation Scheme (PSS);
and**

The PSS Accumulation Plan (PSSap)

CSS

A hybrid (part defined benefit - part accumulation) scheme which was closed to new members on 30 June 1990.

\$6.5	million in assets
27,500+	contributing members
11,200+	deferred benefit members
114,500+	pensions

(All numbers as at 31 December 2006)

PSS

A defined benefit scheme closed to new members on 30 June 2005.

\$10 +	million in assets
145,000 +	contributing members
92,500 +	preserved benefit members
13,500 +	pensions

(All numbers as at 31 December 2006)

PSSap

An accumulation scheme which opened on 1 July 2005.

\$240,000	million in assets
38,500	contributing members
1,000 +	preserved benefit members

(Employer must pay 15.4% of employees salary)

Drivers for Australian Superfunds to address issues such as climate change and water in their investment allocations

Risk

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We identify and research Environmental, Social and Corporate Governance Issues from a risk perspective.

- **Long list of issues**
- **Prioritise**
- **Research ASX 200 Companies (through our service provider BT Governance Advisory Service)**
- **Establish if company is exposed to the risk**
- **Ascertain if company is managing the risk**
- **Where there is an exposure seek to engage**

Have been doing this for more than 5 years.

One of our earliest priority issues was environmental disclosure. Analysis (by Monash University) of disclosure practices of S&P ASX 200 companies has found that disclosure across all sectors is inadequate. As a basic requirement companies should disclose:

- Activities/operations posing significant environmental risk;
- Data on key impacts/emissions including greenhouse gas emissions;
- Financial reporting of materially significant environmental liability, debt exposure and cost management information in relation to key impacts; and
- Information on management initiatives to mitigate key environmental risk.

Sectors with the highest environmental risks include the materials and energy sectors, a significant portion of total environmental costs tends to be hidden in overheads and co-mingled cost centres, resulting in systemic underestimation of the material impact of environmental risk on business risk and financial position.

For higher risk business sectors, environmental disclosures (including costs) should be made through:

- Stand-alone and verified corporate environmental reports;
- Inclusion of financially significant environmental risk information in the annual report; and
- Comprehensive environment-related information on company websites.

**Fiduciary responsibility – not only can you
but if you don't then you are not meeting
your fiduciary responsibility**

Allocations to Cleantech Private Equity and sustainable infrastructure will undoubtedly increase

- As part of a diversified private equity and infrastructure portfolio**
- But of course there must be an investment case**

Australian Superannuation Funds will, in the future:

- Have to find sources of equity return outside the listed Australian stock market;
- Will look more and more offshore for opportunities; and
- Face increasing levels of scrutiny from a more aware and concerned membership