



Regnan - Governance Research and Engagement

Media Release

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Future focused investors engage in long term company performance

Eight major institutional investors and Australia's largest university have joined forces to write a new chapter in mainstream investment practice.

ARIA, BT, Hermes, HESTA, LGSS, Vanguard, VFMC and VicSuper, institutional investors of some \$350 billion, have founded a specialist governance research and engagement service provider – called Regnan.

“The creation of Regnan provides the opportunity for some of the world's leading institutional investors to work together to improve the environmental, social and governance (ESG) performance of companies and ultimately the performance of their own investments,” said Mr. Erik Mather, Regnan's Managing Director.

The research and engagement undertaken by Regnan will enable institutional investors to systematically consider all aspects of a company's ESG performance by providing engagement and research services across the S&P ASX 200.

“Regnan marks ESG's transition from niche industry to influential mainstream investment practice,” said Mr. Mather.

Regnan's activities will be based on the proven engagement model and resources of the Governance Advisory Service (GAS). BT Financial Group's GAS commenced with Australia's first governance engagement mandate in 2001. Having incubated GAS for five years, BT has supported this transition and will maintain a stake in the now independent Regnan.

Regnan will commence operations with a \$50 billion engagement mandate, representing approximately one in eight institutional dollars invested in Australian listed companies.

Companies will benefit from this scale as collaborative engagement provides for greater efficiency in dialogue. Shareowners equally benefit as a collective voice offers greater potential for driving positive governance improvement.

“The size and independence of Regnan significantly bolsters our level of influence beyond the previous, successful BT GAS model,” said Mr. Mather.

Regnan will utilise the research capabilities of Monash Sustainability Enterprises (MSE) for its ESG research. MSE has provided research to support GAS engagement activities for over five years.

“ESG research can illuminate a company's risk and opportunity profile and consequently its valuation,” said Mr. Mather.

“We expect that fund managers and other investors will apply the data to their analysis of companies, alongside traditional valuation measures.”

Interest in ESG among Australian institutional investors has continued to increase following the launch of the United Nations Principles for Responsible Investment in 2006. Regnan's research and engagement services are expected to enable the development of institutional investment practices that are consistent with these principles.



Regnan has commenced operations in both Melbourne and Sydney.

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About

ARIA provides superannuation services and products to Australian Government employees and employers through three Schemes – the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and the PSS Accumulation Plan (PSSap).

Our organisation represents over 30 years experience providing superannuation for the Australian Government, which means we understand members' employment conditions and share their dedication to the value of community. ARIA manages over \$17 billion of members funds.

BT has been helping Australians create and manage wealth since 1969. BT's core business is providing investment, superannuation and retirement products and services, professional financial advice and insurance options. BT manages and administers over \$80 billion on behalf of investors. In both Australia and New Zealand, BT provides a diverse range of investment choices, including funds managed by BT's own team and through alliances with global investment managers.

BT is the wealth management arm of the Westpac Banking Corporation, which has been delivering banking and other financial services to Australians since 1817.

Hermes is a leading UK pension fund investment manager, independent of any broader financial services organisation. Hermes has assets of over £69 billion and is 100% owned by the BT Pension Scheme (BTPS). Hermes currently invests assets on behalf of around 240 clients including pension funds, insurance companies, government entities and financial institutions, as well as charities and endowments.

Recognised as a pioneer of core / satellite investment and its evolution into beta and alpha separation, we are at the forefront of delivering long term investment solutions. We offer a full investment solution or just component parts, including alternative strategies such as commodities, hedge funds, our engagement focus funds, real estate or private equity. Additionally, we help pension funds meet the highest standards of responsible long term ownership through our innovative Equity Ownership Service (EOS).

HESTA was formed by the health and community services industry for health and community services workers in 1987 to accommodate the 3% superannuation that workers were receiving for the first time. In February 2000, HESTA introduced the first environmental-focussed investment option to be offered by a superannuation fund in Australia – HESTA Eco Pool.

In 2007, HESTA will have been serving the needs of the health and community services industries for 20 years and has delivered positive returns on the default investment option, Core Pool, since its inception. HESTA has 580,000 members, covers 55,000 employers and \$12 billion in assets

LGSS was established specifically to cater for the superannuation and retirement needs of Local Government employees in NSW. With over \$6 billion in assets and close to 100,000 members, it provides cost effective products, supported by non commission advice through salaried financial planners. LGSS is committed to sustainable investment, running its own overlay to remove listed Australian companies from its portfolio that fail to meet its ESG requirements. It is a signatory to the UNEP Principles for Responsible Investment.



Monash Sustainability Enterprises (MSE) was established in July 2000 as a consulting, advocacy, and training arm of the Monash Centre for Environmental Management. MSE is involved in a number of research initiatives and commercial ventures to promote more sustainable practices in the investment and finance sectors. Through its former partnership with the BT Financial Group and now with Regnan, MSE is pioneered the practical application of environmental and social rating and analysis for financial institutions in Australian financial markets.

Vanguard Investments Australia Ltd is a wholly owned subsidiary of The Vanguard Group which is based in the US and currently manages over US\$1.2 trillion (A\$1.4 trillion) for more than 22 million individual and institutional accounts as at March 2007. In Australia, Vanguard has established a reputation as a specialist indexer, managing approximately A\$50 billion in index funds, for both institutional and retail investors.

Victorian Funds Management Corporation (VFMC) was established in 1994, and is responsible for managing investments of approximately A\$40 billion for Victorian Government entities. VFMC's clients include the Emergency Services Superannuation Scheme, Transport Accident Commission, Victorian WorkCover Authority and Victorian Managed Insurance Authority.

VicSuper is regarded as the superannuation industry's leader in integrating sustainability into its operations. It is the recipient of an ACCA sustainability reporting award, a Banksia Environmental Award and a United Nations Association of Australia World Environment Day Award among others. VicSuper was the first company to sign a sustainability covenant with EPA Victoria; the first superannuation fund to release a sustainability report and was one of the first Australian signatories to the United Nations Environment Programme Finance Initiative, the UN PRI and the Carbon Disclosure Project. ABN 69 087 619 412 www.vicsuper.com.au.

Regnan is based on a Latin word *regare* whose origins are interpreted as *to move [something] in a straight line, to direct or to rule*. This closely reflects our business purpose; to **align** the conduct of companies with the long term financial interests of their owners.