FSC FINANCIAL SERVICES COUNCIL

acsi AUSTRALIAN COUNCIL OF SUPERANNUATION INVESTORS

MEDIA RELEASE

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Companies still have a long way to go in improving ESG reporting

Environmental, Social and Governance (ESG) investing practices have evolved and grown rapidly over the past five years yet 13 per cent of ASX200 companies currently fail to provide meaningful information on sustainability factors and a further 17 per cent provide only basic information. [1]

In recognising the value of transparency and disclosure in reporting on companies' material risks, the Financial Services Council (FSC) and Australian Council of Superannuation Investors (ACSI) have launched a guide for Australian companies on how to identify and report environmental, social and governance issues.

The guide has been developed to provide Australian companies with a framework to disclose the ESG information that institutional investors would look for when considering their investments. It acknowledges the range of reporting frameworks in existence, and does not aim to recreate these but to provide companies with what Australian institutional investors look for when analysing a company's material ESG risks.

Sally Loane, CEO of the FSC said: "While there is still no mandatory ESG reporting required by listed companies, new ASX recommendations require companies to disclose whether they have material exposure to ESG sustainability risks, and what they are doing to manage the risks.

"We have developed the ESG Reporting Guide for Australian Companies to help them disclose any ESG risks in a consistent way so investors and analysts will have better information to help them make measured investment decisions.

"Our reporting guide clearly sets out examples of material risks that investors are looking for in disclosure."

Louise Davidson, CEO of ACSI, said: "As institutional investors, ACSI members, as well as other investors, need to price and evaluate these risks if they're to protect and manage their investments for the long-term. For that to happen effectively, companies need to not just list those risks, but explain how they're managing them.

"This is something ACSI has long been aware of, and active in, for many years. We've monitored the sustainability reporting of ASX100 companies since 2008, and the ASX200 since 2009. Year-on-year our Sustainability Reporting research has shown a continuous progress in reporting, but there's still room for improvement."

[1] http://acsi.org.au/images/stories/ACSIDocuments/detailed_research_papers/Sustainability_Reporting_Journey_2015.Apr15.pdf

Ms Loane added: “Shareholders and analysts are increasingly focusing on ESG reporting to gauge companies’ performance beyond traditional financial data.

“As our $2.6 trillion funds management industry continues to grow – underpinned by $2 trillion in superannuation – investment managers are increasing their level of scrutiny on ESG risks as a risk management process and a measure of a company’s value. This is an important governance measure that will benefit consumers in the long term.”

Ms Davidson also said: “With the newly-revised ASX Guidelines formally coming into effect, we look forward to significant improvements in ESG reporting, and hope the revised ESG Reporting Guide will help companies give investors the information they need.”

Key initiatives in Sustainability Reporting since 2011
Since 1 July 2014 the **ASX Corporate Governance Principles** have explicitly required companies to disclose material exposure to economic, environmental and social sustainability risks and if so, how they manage, or intend to manage it. **The international Integrated Reporting Council** has issued a framework for ESG reporting; the latest **Global Reporting Initiative Guidelines** list over 400 indicators on corporate sustainability performance; the **US Sustainability Accounting Standards Review Board** has issued standards for 45 industries in six sectors; and, the **Sustainable Stock Exchanges Initiative** has launched its Model Guidance for exchanges to lay out the business case for reporting ESG information and basic principles to guide the reporting process.

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About the Financial Services Council
The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than $2.6 trillion on behalf of 11.5 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

About the Australian Council of Superannuation Investors
The Australian Council of Superannuation Investors (ACSI) represents 29 Australian superannuation funds and six major international pension funds with a combined $1.5 trillion under management.
We help our members manage long-term investment risks, in the belief that companies with good ESG practices are, over time, more sustainable and provide better risk-adjusted returns. ACSI engages strongly and constructively with major listed companies on ESG issues; provides vital research, policy and voting advice for our members; and interacts with the regulators to ensure markets are focused on the long term benefits of investors.