

Sustainable Investing

Learn more





🏠 Welcome

BT Financial Group (BTFG) is making sustainable investing easier for all its customers, to assist them in making decisions that may affect the long term value of investments.

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05. What is sustainability scoring and how does it work?





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Section 01.

What is Sustainable Investing?

Sustainable investing is a long-term investment approach that incorporates environmental, social and governance (ESG) factors into the investment process. It's about *'how'* companies are making the money and not just the money they make.



ESG data can help to identify companies better positioned for long-term success.

Just ask yourself

“How sustainable is that company?

Will it be around in 5, 10 or even 20 years?

Is what it is doing now, going to impact its value in the future?”



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Sustainable investing and BT Financial Group (BTFG)



Leading the way

BTFG is committed to **providing insights and information** to help make more informed investment decisions.

BTFG is at the leading edge of innovation and has partnered with global research houses to integrate sustainability scoring on selected investments, accessible through BT Panorama and BT Invest. These scores, used in conjunction with other tools, **may help identify risks and opportunities which can preserve and grow the value of a client's portfolio in the long term.**

What sustainable investing is not

Sustainable investing is not the same as ethical investing or ethical screening.

It is not just about socially responsible investing or environmental screening. It's about **identifying those sustainable companies on BT Panorama and BT Invest**, based on their management of key ESG factors.



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ESG factors are more common than you might think

Do ESG factors matter?

Yes. ESG factors definitely matter

Why was sustainability scoring on BT Panorama created?

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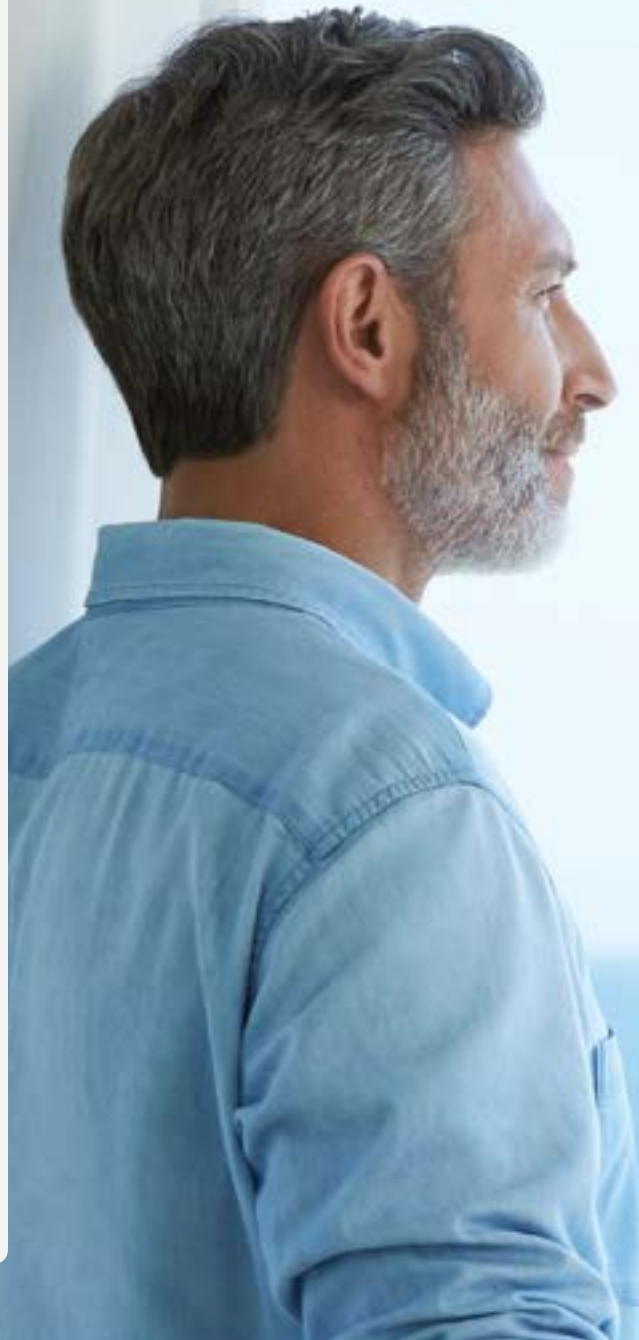
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Section 02.

What is ESG?

ESG refers to *environmental, social and governance* (ESG) factors that investors may consider when making investment decisions. These factors, at times, have also been known to affect the risk and return of investments.



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ESG factors are more common and relevant than you might think



Environmental Factors

- Climate change and carbon emissions
- Air/water pollution
- Energy efficiency
- Water scarcity
- Waste management
- Deforestation



Social Factors

- Product safety
- Data protection/privacy
- Gender and diversity
- Employee engagement
- Supply chain management
- Labour standards



Governance Factors

- Board composition
- Audit committee structure
- Executive compensation
- Lobbying
- Political contributions
- Bribery and corruption



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Do ESG factors matter?

Knowledge is power.

When we know better, we have the power to do better.

A critical factor in the selection of investments that may improve financial performance is the ability to identify drivers of their expected risk and return. The more you know, the more rewarding investing can be.

ESG factors for companies can be analysed and assessed in order to **engage in a more complete and holistic approach** to investment analysis.

Poor management of risks posed by one or more ESG factors is commonly highlighted by news media when investors suffer sudden and substantial losses on listed stocks.

ESG factors are more common than you might think

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Yes. ESG factors definitely matter

Companies with superior ESG risk management are generally likely to have lower cost of capital and a better overall operational and financial performance.



Environmental Factors

Gulf of Mexico oil spill in 2010 caused BP's share price to fall sharply and reinforced the need to analyse ESG performance indicators.



Social Factors

South African mining company Lonmin experienced a breakdown in its relationship with its workforce in 2012 causing significant and direct impact on the company's financial performance.



Governance Factors

Governance issues relating to Enron's balance sheet contributed to the company's bankruptcy in 2001 resulting in severe losses for shareholders.

There seems to be a growing realisation that whether motivated by economic value or moral values, ESG factors are relevant for all long-term investors.



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Why was sustainability scoring created?

Sustainable investing is a well established process used by institutions such as fund managers and super trustees to help manage financial risk. To date, effective tools to understand and assess ESG factors have generally not been available on retail investment platforms, despite growing investor demand.

Now, with BTFG, more investors can have access to more information, **helping them to make more informed investment decisions – and potentially delivering long term value.**

In addition, BTFG is part of the United Nations-supported Principles for Responsible Investment. These principles commit institutional investors to incorporate Environmental, Social and Governance (ESG) considerations into investment analysis, decision making and ownership priorities.



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Investor Key Benefits



Now there is an opportunity to identify and analyse investments on their sustainability merit. Available on BT Panorama and BT Invest are sustainability scores providing access to more information that may help deliver long term value.

Sustainability scoring offers investors a new investment analysis tool that may provide and assist with:

Greater transparency

Being able to see a more complete picture allows for a more informed decision.

Being active and taking part in a sustainable future

Build a portfolio in a way that allows it to be meaningful based not just on the financial value but based on values that you feel matter.

Improved long term financial performance

Potential to preserve and increase the financial value of investments by assessing ESG risks and opportunities and, investing in sustainable companies.



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Adviser Key Benefits on BT Panorama



By incorporating ESG factors in your discussion with clients, you are able to assist with **more informed investment decisions and, potentially, more holistic financial advice. Increase your client engagement and better seek long term investment performance.**

ESG factors for companies can be identified and assessed in order to offer a more complete and holistic approach to investment analysis.

Innovative capability

Respond to investor demand and provide options for investment analysis including innovative and relevant research information based on both financial performance and ESG factors.

Accessibility

Become more accessible and engage with a wide range of clients. Initiate meaningful conversations with investors providing the ability to align their portfolio to their values and not just to the financial value.

Risk management and the potential for positive financial performance

Help to preserve and increase the financial value of a portfolio by investing in sustainable companies that consider risks posed by ESG factors.

Transparency

Access to more information provides greater transparency which may lead to more informed decisions in portfolio construction and the potential to improve long term investment performance.



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ESG factors and financial performance correlation

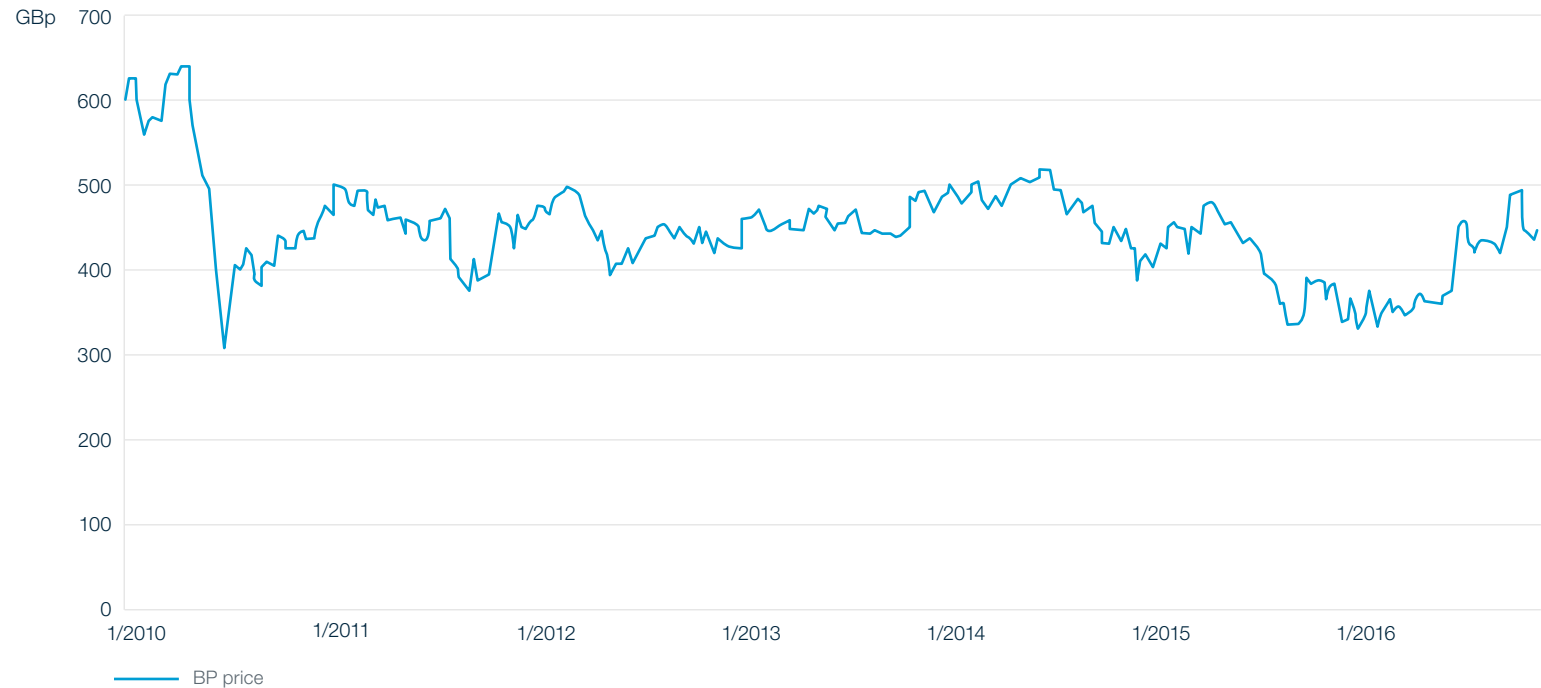
There are many cases highlighted in the media showing the significant effects of ESG neglect and the negative impact it has on investments.



A new perspective for investment analysis

Example: BP 2010 oil spill

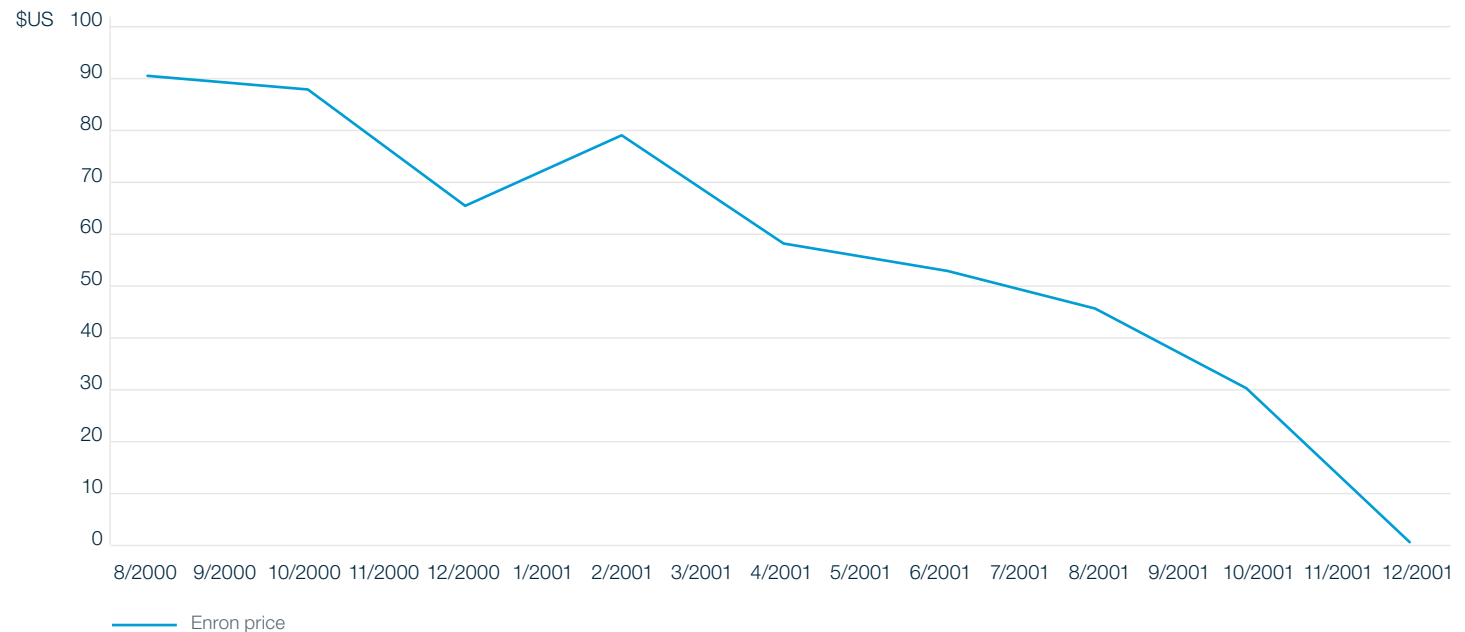
BP's Deepwater Horizon 2010 oil spill in the Gulf of Mexico is one of the most high-profile cases of how environmental risks can lead to financial consequences.



A new perspective for investment analysis

Example: Enron

The Enron scandal is an example of governance neglect. The share price plummeted from a high of US\$90.75 per share in mid-2000, to less than \$1 by the end of November 2001.





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Significant growth in global sustainable investment assets including those that adopt ESG integration

Demand is on the rise

Using ESG strategies in the investment process is growing

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Investor interest and demand is on the rise

Interest in sustainable investing is on the rise, as many institutions and individuals seek to express their broad concerns about sustainability issues through their investments, just as they might do through their purchases and in the workplace. When it comes to investing, a recent Morgan Stanley survey¹ found 71% of respondents indicated they were interested in sustainable investing.

1 Sustainable Signals: The Individual Investor Perspective. February 2015. Morgan Stanley Institute for Sustainable Investing



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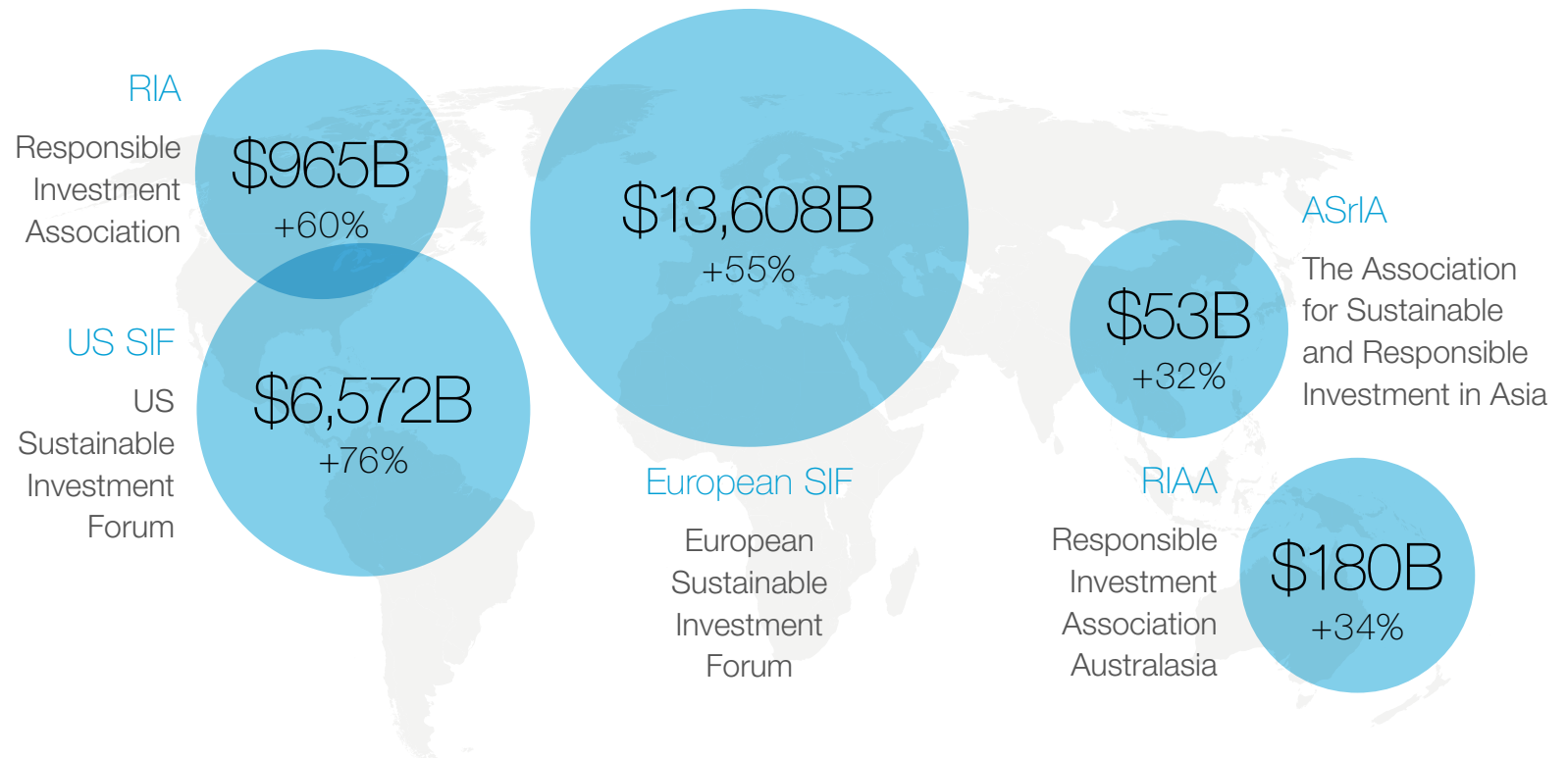
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Significant growth in global sustainable investment assets including those that adopt ESG integration

Global sustainable investment assets reached \$21.4 trillion in 2014, +61% since 2012. These assets were invested via sustainable investing strategies including, negative screening/exclusions (\$14.4 trillion), ESG integration (\$12.9 trillion) and corporate engagement/shareholder action (\$7.0 trillion).



These figures have been sourced from *Global Sustainable Investment Review 2014* a report released by the Global Sustainable Investment Alliance (GSIA).



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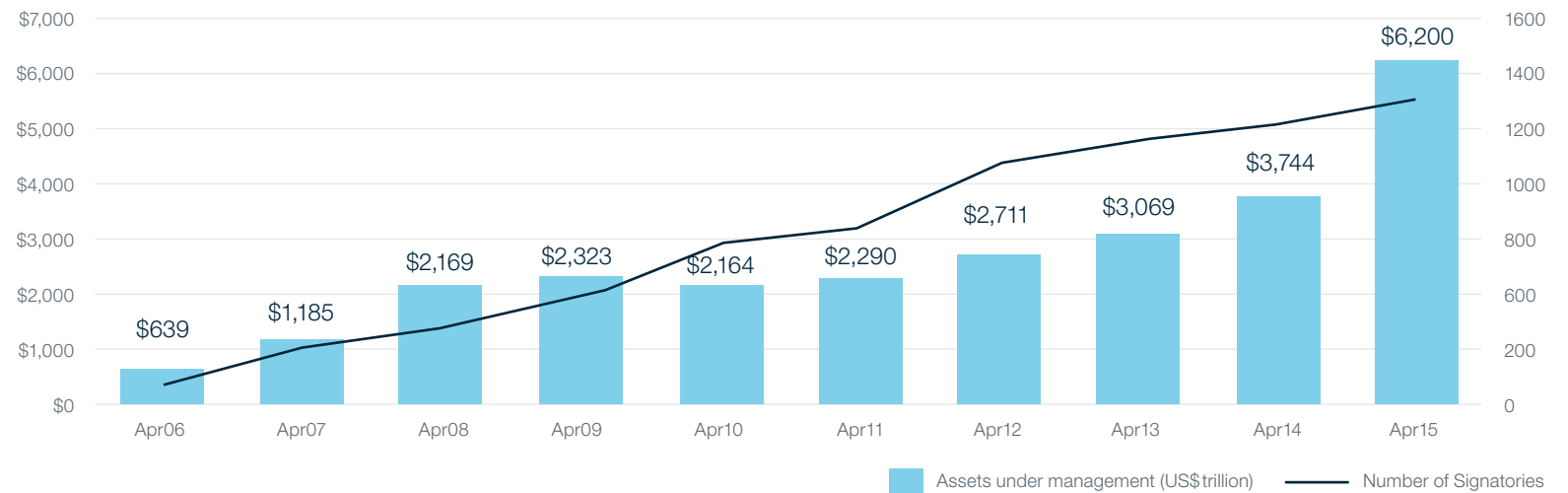
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Demand is on the rise

UN Principles for Responsible Investment Signatories: 1,380 with \$59 trillion AUM



Source: UN-PRI April 2015



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Using ESG factors in the investment process is growing

"Years of demonstrated long-term investment benefits to investors who consider environmental, social and governance (ESG) factors have quietly shifted billions into responsible investment approaches. This approach now represents 47% of Australia's professionally managed assets, with those investors integrating systematic ESG strategies representing \$582 billion."¹

Available now to advisers and investors, ESG analysis is integrated on BT Panorama and BT Invest.

47%
\$582B
AUM

¹ Responsible Investment Benchmark Report 2016 Australia, RIAA.



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What is sustainability scoring and how does it work?

The sustainability scores for investments are a set of scores which identifies a company's recent performance in relation to ESG factors.



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What investments are included?

The sustainability scores are available for the ASX200 listed companies and those managed funds that invest primarily in Australian and international shares.



How many scores are provided?

The scoring consists of an overall company score called the 'sustainability score' as well as individual scores for each of the ESG factors along with a controversies assessment rank.



How are the scores rated?

The scores are marked out of 100. The higher the score, the better a company is rated to perform in relation to ESG factors.

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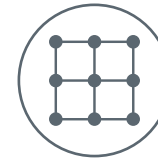
How are the sustainability scores calculated?



For ASX200

The sustainability scores and associated commentary for the ASX200 listed companies are provided directly by Sustainalytics, a global provider of company-level ESG research and ratings.

An overall sustainability score as well as separate environmental, social and governance (ESG) scores are provided along with an assessment ranking of the company's involvement in ESG-related controversies.



For Managed Funds

The scores for relevant managed funds are provided by Morningstar in partnership with Sustainalytics.

Morningstar uses an asset-weighted average of the overall ESG score supplied by Sustainalytics, with deductions made for holdings of underlying investments involved in controversial incidents.

Learn more on the methodology [here](#).

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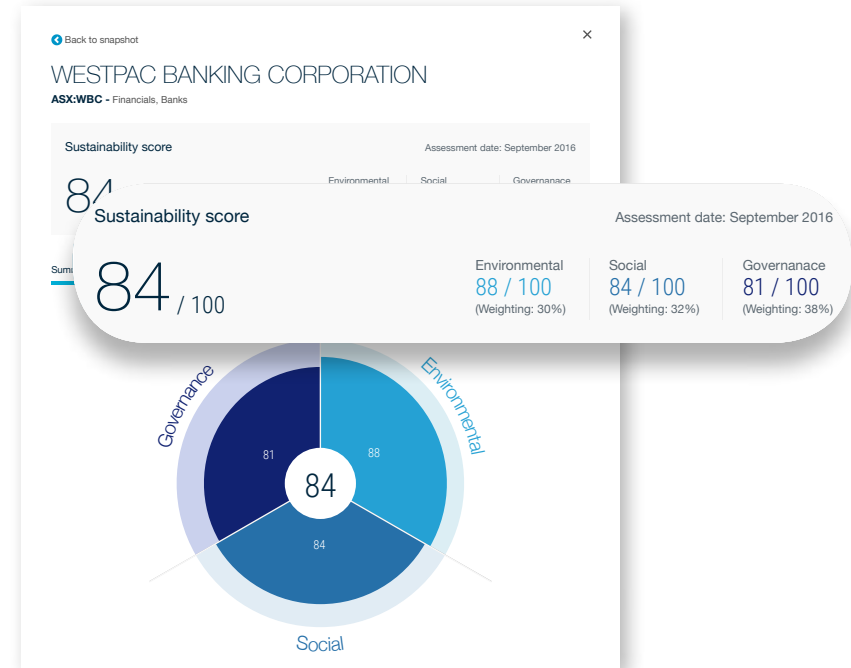
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What does it look like on BT Invest and BT Panorama?

Sustainability scoring

Company ESG Scores (0-100):

- Sustainability Score (Overall ESG Score)
- Environmental Score
- Social Score
- Governance Score



Scores are generated on the basis of a weighted balanced score card



Companies are assessed within a sector-specific context



Transparent assessment of companies based on 60-to-80 material indicators per sector



Analyst provides scoring commentary based on key ESG issues



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What does it look like on BT Invest and BT Panorama?

Peer comparison

For each investment within the same sector you can identify and compare the sustainability scores and their corresponding financial returns for the last 12 months.

Westpac in this area.

Responsible Finance

Westpac has made several commitments to address environmental concerns, including a AUD 6 billion commitment to financing clean energy and develop one product per year that helps retail customers tackle environmental challenges. The bank has also integrated best practices into its lending standards, including its own risk assessment framework as well as the Equator Principles. However, there have been protests against Westpac for its willingness to finance coal-related projects that could compromise the Great Barrier Reef. Although it has sector specific policies for financing some industries, Westpac does not have a policy for energy and coal which is considered one of most relevant industries. Westpac concerns surrounding coal financing, Westpacs strong commitment to ESG risk management and its decision to hold a positive view of Westpacs performance in this area.

Code	Name	Market Cap	Sustainability score	Change	Performance
WBC	WESTPAC BANKING CORPORATION	\$102.59B	84	↑	0.35%
NAB	NATIONAL AUSTRALIA BANK LIMITED	\$75.14B	82	↓	-10.53%
CBA	COMMONWEALTH BANK OF AUSTRALIA	\$128.57B	77	↑	0.40%
ANZ	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	\$82.55B	68	↓	-2.53%
BEN	BENDIGO AND ADELAIDE BANK LIMITED	\$5.22B	64	↑	7.39%
BOQ	BANK OF QUEENSLAND LIMITED	\$2.55B	54	↓	-14.11%

Important disclaimers
Role of Sustainalytics
Sustainalytics Australia Pty Ltd ABN 37 607 393 028 (Sustainalytics) is a global research firm specialised in environmental, social and governance

Controversies

Company Controversy Assessments (1-5):

- Scored from 1 (low) – 5 (high severity)
- Companies can have more than 1 controversy subject to this assessment
- Assessment commentary provided.

Please note that commentary for categories that are 3 and above will be displayed.

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WESTPAC BANKING CORPORATION

ASX:WBC - Financials, Banks

Assessment date: September 2016

Summary	Detailed Scoring	Controversies
Environmental	88 / 100 (Weighting: 30%)	Social
		84 / 100 (Weighting: 32%)
		Governance
		81 / 100 (Weighting: 38%)

Business Ethics Incidents

Controversy level: **Category 3 (Significant)**

Assessment



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How to use the sustainability scores on BT Invest and BT Panorama

The sustainability scores can serve as an initial lens for investors interested in sustainability and ESG factors.

These scores can provide both the level of sustainability in an investor's existing portfolio and assist in setting sustainability targets. The higher the score, the better a company or fund is rated by Sustainalytics and Morningstar to manage ESG factors and risks.

It is important to note that none of the scores are based on financial performance and should be used in conjunction with other metrics and analytics for a more complete approach to investment portfolio construction.

Also, it should be considered past performance is not a reliable indicator of future performance.



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Global research houses

BTFG has partnered with Sustainalytics and Morningstar, two global research houses to integrate sustainability scoring for investments on BT Panorama and BT Invest.

Two Global Firms Committed to Research

Sustainalytics

- Global provider of sustainability research and analysis.
- Supports over 350 investors worldwide, including asset owners and asset managers, with integrating ESG and corporate governance factors into their investment processes
- Provides comprehensive ESG ratings and research on more than 6,500 companies worldwide.

Morningstar

- Morningstar provides data on more than 500,000 investment offerings.
- Serves individuals, financial advisers, asset managers, retirement plan sponsors and providers.
- The company has operations in 27 countries.



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Need Help?

> Call
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 BT Invest 1300 889 635

> Email a query to
support@panorama.com.au
BTInvestenquiry@panorama.com.au

> Visit
btpanorama.com.au
btinvest.com.au

Important to know

The information in this document is factual only and does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it.

Role of Sustainalytics

Sustainalytics Australia Pty Ltd ABN 37 607 393 028 (Sustainalytics) is a global research firm specialised in environmental, social and governance (ESG) research and analysis and its role is solely limited to providing research and ESG analysis in order to facilitate well-informed decision-making. Sustainalytics makes no representation or warranty, whether expressed or implied, regarding the advisability of investing in any asset or including companies in investable universes and/or portfolios nor shall it accept any liability for damage or loss arising from the use of this overview or information contained herein in any manner whatsoever. Sustainalytics does not provide financial or investment advice and nothing in this document should be read and construed as constituting financial or investment advice. Investors are expected to independently determine their investment decisions and the general information contained in this overview should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Role of Morningstar

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Role of BT

BT Portfolio Services Ltd ABN 73 095 055 208 AFSL 233715 (BTPS) operates BT Panorama and BT Invest (together, the Services). Investor Guides are available for each Service, and can be obtained from BTPS by visiting www.panorama.com.au/invest/documents or calling 1300 881 716. A person should obtain and consider the disclosure documents before deciding whether to acquire, continue to hold or dispose of interests in the Services. BTPS is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 (Westpac). Apart from any interest investors may have in Westpac term deposits or securities acquired through the Services, an investment in or acquired through the Services is not an investment in a bank or a bank deposit. Westpac and its related entities do not guarantee an investment in or acquired through the Services. This document contains material provided directly by third parties that is given in good faith and has been derived from sources believed to be accurate at its publication date but has not been independently verified. It should not be considered a statement of fact nor as a comprehensive statement on any matter nor relied upon as such. No company in the Westpac Group nor any of their related entities, employees, or directors gives any warranty of reliability or accuracy or accepts any responsibility arising in any other way including by reason of negligence for errors or omissions. This disclaimer is subject to any requirement of the law. Information is current as at 21 November 2016. © BT Portfolio Services Ltd 2016

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