



GRI Materiality Review

October 2012

Background

UCA Funds has been a strong supporter of sustainability reporting and has produced six sustainability reports, which have for the past two years been combined with the Annual Report. As proponents of the Global Reporting Initiative (GRI) a materiality review is required to determine our 2012 report is succinct and appropriately reflective of our organisation and our stakeholder's needs. A full review was conducted prior to the inaugural report. Given the high level of ongoing change internally and externally, especially to sustainability reporting expected with G4 and Integrated Reporting we are now conducting our second materiality review.

Objective

The goal of the review is to determine materiality of a range of topics (and the GRI indicators that may best represent this) in order to refine our sustainability strategy and our external sustainability report for 2012 and subsequent reports. Our reporting will incorporate global frameworks (GRI, UNPRI) but also seek to represent UCA Funds' unique sustainability drivers.

Materiality as defined by the GRI determines that the information in a report would cover topics and indicators that:

1. Reflect the organisation's significant economic, environmental and social impacts, or that
2. Would substantively influence the assessments and decisions of stakeholders.

Process

The process was multi-phased. Firstly, key operational owners conducted a detailed materiality questionnaire. This group included representation from across UCA Funds' management. A short-list of possible indicators was created, one that proposed both the inclusion and exclusion of current indicators (see discussion below).

Additional inputs to this process are the customer survey (Appendix A), interviews with CEO, Chairman, stakeholders and subject area experts; and staff survey (Appendix B). This document forms the collation of this information and will be discussed by UCA Funds managers with view to endorsing the recommendations.

Discussion and Recommendations

It has been some time since our first materiality review and this provides us with our first opportunity to make assessments on the basis of actual experience and results. It is also important to consider this in light of timing, our ability to collect the data and other changes to the reporting landscape, namely new developments in the GRI reporting framework (G4) and integrated reporting. GRI application levels (A+, B+, C+) will be dropped from the next version of G4 reporting (due to come out in May 2013). Whilst achieving B+ may not be the pinnacle, it is still beneficial to undertake greater commitment to the increased standard disclosures and Management Approach Disclosure required in achieving B+. A much greater focus on a company developing and articulating their management approach and materiality is expected to take greater priority in the G4 standards. At the time of writing it is proposed that in G4 ten per cent of indicators will be reconfigured as core indicators that will be required by all companies to report upon in the form of the disclosure on Management Approach. We do not know what these are at this stage. Given we are currently reporting on 23 indicators we could assume that we are already reporting most of them, but there may be some new areas to contend with next year. The G4 update will also extend to the Financial Services Sector supplement. There are no details yet, but the GRI indicate that it will be more prescriptive and there will probably be a two year transition period. In this period of transitional change it is recommended that a materiality review be undertaken next year also. The materiality survey undertaken by senior staff indicated that there may be more indicators of importance to UCA Funds than are being currently reported on. These are namely indicators within the society aspect (corruption), financial services, human rights and product responsibility. The results also indicated that there was less emphasis on some environmental and labour aspects, although some labour aspects that we did not report on were recognised as important. It is not recommended to begin reporting on all high-threshold indicators this year as there is little capacity, nor time to undertake the necessary due diligence on how and if we can report. It is proposed however that the following indicators be reviewed for possible descriptive inclusion in the 2012 Report. There is also a list of indicators for review in 2013 in line with all changes to G4.

The following recommendations are proposed.

For possible 2012 inclusion;

1. Corruption indicators –

SO2 Percentage and total number of business units analysed for risks related to corruption.

SO3 Percentage of employees trained in organisation’s anti-corruption policies and procedures

SO4 Actions taken in response to incidents of corruption.

Risk analysis is an important and necessary management approach that helps to assess the potential for incidents of corruption within the organisation. A major responsibility of UCA Funds is to offer a safe environment for investors’ funds. UCA Funds have extensive undertakings to negate corruption and it would be a fairly straight forward task to report. It is also recognised that anti-corruption is a stronger area of focus for the GRI with a working group undertaking thorough work in 2012 following on from global feedback about its importance. It is anticipated there will be more mandatory disclosure requirements in the future stemming from this, especially for those in the financial services sector.

2. SO5 – Public Policy and participation.

This indicator aims to ensure that there is a clear link drawn between the public comments of the organisation and alignment with its internal practices. There is a strong link between the public policy objectives of the UCA and UCA Funds. Our Ethical Investment Policy is drawn from Church policy and it would increase transparency to indicate how the public policy positions of the Church may, or may not influence investment decisions or indeed the practises we implement in-house.

3. FS16 initiatives to enhance financial literacy by type of beneficiary.

Although most clients were very happy with the type and level of information provided by them in the 2012 survey there were a few comments along the lines of “I don’t understand, I’m too old, I trust you to do the right thing’ whilst this is a small minority, we also know that the vast majority of our individual investors are over 70. Opportunities to enhance financial literacy, especially for older investors in the form of their investment decisions could well be an area to consider reporting on into the future, some may benefit from broader financial literacy options. We already have initiatives such as

our financial planning service; perhaps we have other communications/initiatives to report upon that our stakeholders may find beneficial?

4. PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Suggest this is a key area for inclusion, given the nature of the information we hold and our commitment to our clients.

5. In previous years we have been reporting on indicators **LA7 Rates of injury, occupational disease and absenteeism** and **LA10 Average hours of training per year by employee**, yet we do not officially register it on the GRI Index. Suggest formalising this through the GRI index.

Cease Reporting 2012

1. We currently report on FS3 Processes for monitoring client's implementation of and compliance with environmental and social requirements included in agreements or transactions. It is proposed that we cease reporting as the indicator is specifically for commercial and corporate banking and insurance only and covers conditions around the provision of capital. Environmental and social compliance in asset management is covered by FS11 Percentage of assets subject to positive and negative environmental or social screening and FS5 Interactions with clients regarding environmental and social risks and opportunities which we currently report on.

2. Resource use. – We report on three environmental indicators, stemming from our electricity use and indirect energy consumption. Relatively speaking, our footprint is quite small and we have much greater influence in other areas to suggest that they are not material to UCA Funds. We do know however that climate change is an important issue for UCA stakeholders and indeed one in which we should all be doing our bit, albeit small. Suggest maintaining our reporting, but keeping the section small.

For review and possible inclusion in 2013 report

FS6 Percentage of the portfolio for business lines by specific regions

FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.

HR2 Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved

PR3 Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements

P7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.

PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

PR9 Monetary value of significant fines for non-compliance with laws and regulation concerning the provision and use of products and services.

Appendix A Client Survey

A survey inviting feedback on our service and communications was sent out to all of our clients in 2012 and over 10% responded. Overwhelmingly our clients rated our service as excellent 70%, above average (27%), average (2%) and below average (0.3%). Seventy-four per cent strongly agreed that service is always delivered in a timely and friendly manner. The same amount said that they would refer UCA Funds Management to their family and friends.

When asked specifically about the layout and content of the Sustainability Report the result is still strong, but not quite as glowing. Thirty-four per cent strongly agreed that the most relevant issues are covered in our report. Fifty-eight per cent agreed that they were and eight per cent neither agreed nor disagreed.

We are extremely gratified by high satisfaction as we put our customers first with a very personal approach, but we are not resting on our laurels. Of the suggestions for improvement from our clients we had requests regarding the website, desire for online account balances, clearer, logical access to information of the web, statements to be sent earlier and greater information to enable them to make investment decisions, i.e. what to consider when investing, more information about Funeral Fund and other portfolios etc.

Social issues of importance

Every year the Synod undertakes a survey of its members to determine social issues of importance. It bases its annual work plan on these priorities. We know that the following issues (listed in order) are important to 165 UCA members in Victoria and Tasmania and as such, give insight into our investors (as they are primarily drawn from Church membership) and the Church's priorities. They enable us to track potentially important issues as they arise and plan and respond accordingly in our ethical investment policy. In 2012 the top issues for church members were;

1. Asylum Seekers and Refugees
2. Combating People Trafficking and Slavery
3. Indigenous Issues (Australian)
4. Poverty in Australia
5. Overseas Poverty
6. Climate Change, reducing emissions
7. Mental health
8. Supporting people with disabilities
9. Alcohol reform
10. Fair trade

Appendix B Staff Survey

Each year we survey staff to determine their satisfaction with their workplace. The questions addressed job satisfaction, opportunities for development, training and decision making. In 2011 we identified a decline in overall staff satisfaction from previous years that we have been unable to reverse in 2012. We did expect the results to remain lower due to the staff turnover this year. A year of turnover has destabilised some staff, although many feel that with a new leadership team satisfaction levels will increase and change will be a positive way to build morale. We hope in 2013 to have a more positive outcome and the Board is encouraging staff to have confidence in the survey as they use it as a tool to monitor performance of management and as a direct mechanism to hear staff feedback.

Table 10 Staff Survey Results

	2012*				2011				2010				2009			
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Job satisfaction	58	42	-	-	68	21	11	-	84	16	-	-	80	2	-	-
Adequate facilities	79	21	-	-	63	26	11	-	84	16	-	-	86	13	-	-
Opportunity to develop	65	38	15	-	58	38	5	-	73	26	-	-	73	26	-	-
Training	61	33	6	-	74	16	11	-	84	16	-	-	86	13	-	-
Benefits	53	42	5	-	58	38	5	-	79	16	-	-	66	26	6	-
Involved in decision making	26	58	16	-	42	42	16	-	63	31	5	-	60	26	13	-

A-very satisfied, B-somewhat satisfied, C-somewhat dissatisfied, D-very dissatisfied

*The 2012 survey was completed by 83% of the staff