



## Indigenous rights, Indigenous wrongs: risks for the resource sectors

The Federal Government's recent apology to the stolen generation and interventions in Indigenous communities has thrown a spotlight on Indigenous affairs. However, the rights of Indigenous peoples are not just a government level issue but also a board level one for companies in the resource sector.

Companies and Indigenous peoples can look at the same landscape and see very different things. A company may see the potential for harnessing resources for profit; Indigenous peoples often see the land as integral to who they are incorporating culture, spirituality, history, social organisation, family, food security, economy and health.

The United Nations estimates there are 500 million indigenous peoples in more than 70

countries, representing over 5000 distinctive languages and cultures.

Indigenous rights have historically not been the focus in environmental, social and governance (ESG) indicators that assess company performance in relation to human rights and environmental impact.

Business activities with 'direct impact' on Indigenous rights include agriculture and farming, forestry, mining and oil and gas exploration and production.

Most companies in the resource sector do not satisfy the Australian Ethical Charter which includes the avoidance of any activities which contribute to the inhibition of human rights.

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Photo © Christal George

Arabunna elder Kevin Buzzacott has spoken out about the potential impact of uranium mining at Roxby Downs in South Australia on mound springs situated near Lake Eyre. The area features prominently in the culture and survival of Arabunna people. Uranium mining draws up 32–42 million litres of water per day from the Great Artesian Basin, free of charge.

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The UN Declaration on the Rights of Indigenous People was adopted in September 2007 by 143 nation state members of the UN General Assembly. There were 11 abstentions and four states with large indigenous populations that did not adopt the Declaration. Australia, Canada, New Zealand and the United States all lodged objections concerning the right to self determination, land and resource rights.

Despite objections, the Declaration has been the most authoritative indicator to date of the growing consensus on best practice standards required by states as well as non-state entities like companies. A public commitment to recognise Indigenous rights is an area where many companies can improve.

Controversy over the right to self determination arises when nation states claim total sovereignty over territory and rights to royalties from resource development. The right to self determination is the right to freely determine political status and freely pursue economic, social and cultural development. The right to self determination does not give Indigenous peoples a 'right of veto' over resource projects but is a right that affirms fundamental importance of the right of self determination for all. This includes meaningful input by Indigenous peoples as to how a project is developed and curbing negative impacts such as the influx of alcohol, drugs and prostitution.

A key way a company can demonstrate respect for self determination is by following the process of free prior and informed consent when engaging with Indigenous communities. Some companies already have this policy.

For Indigenous peoples the right to informed consent to projects has special importance because of their unique or culturally distinctive relationship with their lands and territories. Companies gaining consent from Indigenous peoples for a project at all stages of the project lifecycle is an essential aspect of respecting the human rights of Indigenous peoples.

Key risks that affected companies need to address include reputational risks (often triggered by NGO campaigns), increased regulation or lack thereof, license to operate and litigation.

Opportunities for companies include utilising Indigenous knowledge and expertise and building long-term stable relationships. Research indicates companies which often need to remain at a site for a period of 10–20 years fared better when they contributed to the long-term prosperity of Indigenous culture, including preservation of languages.

Due to an increasing global spotlight on corporations and evolving legal obligations, Indigenous peoples' rights will need to be better handled by companies to reduce exposure to risks. Those companies with strong commitments, ethical practice and effective engagement processes will benefit in an environment where access to land and resources becomes increasingly more difficult.

More information is available in a research paper here: [www.caer.org.au/caerpublications.html](http://www.caer.org.au/caerpublications.html).

### Change of superannuation administrator

Australian Ethical has recently transferred administration of the superannuation fund to Pillar Administration Services. The date of transition was 1 April 2008.

The transition will improve member service and website functionality. However, there may be some delays in processing superannuation transactions during April and May 2008.

The address details for fund administration have changed from the previous Hobart address to PO Box 1916, Wollongong NSW 2500. The phone, fax, email and web details remain unchanged.



# Australian Ethical's 6-star Green Star building the third in Australia

In November 2007 Australian Ethical's refurbished Canberra headquarters became only the third building in Australia to achieve a 6-star Green Star rating. The rating gives Trevor Pearcey House 'world leading' status from the Green Building Council of Australia.

Executive director Howard Pender was project manager for getting Australian Ethical out of its former office in an old school building and into a world leading green building.

Howard's motivation sprang from the environmental savings that would be made and the benchmarks Australian Ethical would set. 'It's our company's underlying philosophy to be as deep green as we can,' he said.

Experimental technologies deemed too financially risky were avoided. The revamped building, taking a little over a year in design and construction, is a low-tech workplace that has reduced its water and energy use by more than 75 per cent and is a model green building for Australia. Just as important for Australian Ethical, staff members are proud of it and love working there.

Australian Ethical spent \$1700 a square metre on a new interior fit-out and extensive building renovation. Government departments are spending this amount on their fit-outs alone. Howard said, 'We spent the amount we thought a

commercial landlord would spend to get a good tenant.'

Staff were initially surveyed and reported that what they wanted most was windows that opened and a high level of energy and water savings. 'This is one of the few commercial buildings to use natural ventilation,' Howard said.

Other items on the staff wish list included the bike shed and racks, shower facilities for sweaty commuters, smaller parking spaces for motorbikes and small cars, an office close to good public transport and an attractive lunchroom and kitchen facilities.

One casualty was photovoltaic cells. 'You just have to fit in with your neighbours and our body corporate did not want PV cells on the roof,' Howard explained.

'All the weirder stuff is out the back, out of sight from the street,' he said. It is there you will find the bike shed, which has been constructed largely from metal beams and joists recycled

from within the original roof, the thermal chimneys, weather station essential to regulating the night-purging system and the solar hot-water heater.

Staff comfort was considered at every turn. The hot-water central heating, for instance, reduces energy use while increasing staff comfort. Studies have found that people find radiant warmth more comfortable than hot blown air. 'Here was a way we could achieve both ends,' Howard said.

'There is nothing high-tech about the building. It's not really about money, it's about intellectual effort.'



The bike enclosure at Trevor Pearcey House – constructed from reclaimed roof materials.



## Howard's top 5 office refurbishment tips

1. Soften people up by proposing features more way out than you are prepared to go for. Waterless urinals are an easy option after you have lost the argument about composting toilets.
2. Choose a building with good bones. Lots of concrete mass, for instance, can be exposed and insulated to provide a thermal sink.
3. Make staff comfort your top priority but remember it's as much about local and individual comfort control as visual aesthetics.
4. Make your next priority keeping the building's environmental footprint to a minimum, keeping water and energy, use as low as is consistent with staff comfort, and using recycled materials as much as possible.
5. Try to choose the architect, builder, services engineers and consultants who are genuinely interested in green buildings. Pass on the builder who shudders at the thought of exposed concrete. And pass on the architect who thinks it would be nice if every worker had a teardrop shaped bright orange workstation but rolls their eyes at the idea of insulation on the outside.

## Community grant applications open

Each year Australian Ethical donates 10% of company profit to environmental, charitable and benevolent organisations. The grants are not made from the investment trusts or superannuation fund managed by Australian Ethical. Applications for the 2008 round of community grants are now open. Applications can be made on our website at [www.austethical.com.au](http://www.austethical.com.au).

In 2007 a major project grant worth \$50 000 was awarded to The Australia Institute and used to produce and disseminate a series of teaching materials on aspects of climate change for Australian high schools. The completed project can be seen at [www.teachingclimatechange.com.au](http://www.teachingclimatechange.com.au).

### Animals Asia Foundation grant

Animals Asia Foundation (AAF) was also one of the community grant recipients in 2007. A \$2900 grant went toward their work to establish a moon bear sanctuary in Vietnam.

In Vietnam, there are approximately 4000 bears (mostly moon bears) currently being held in cages and milked for their bile which is used in traditional medicine. The majority of these bears are wild caught and many are missing a limb as a result of cruel leg-hold traps.

In the wild bears live up to 30 years. Bears on bear farms live for only 5 to 10 years before dying of infection, disease, malnutrition and mental stress.

AAF is building a rescue centre for 200 bears in Tam Dao National Park, Vinh Phuc Province.

The first phase of the rescue centre, the quarantine facility, comprises two bear houses with 12 bear dens in each, an isolation building capable of holding up to 40 transport cages, surgery, food preparation areas, storage and an office. It also comprises a water drainage system, a power substation and a waste treatment system to ensure protection of the surrounding environment. The quarantine facility was completed in March and is capable of receiving up to 50 bears.

AAF's community grant went toward building an environmentally friendly waste treatment system for the quarantine facility. AAF chose the DEWATS Decentralized Wastewater Treatment Systems designed by the Bremen Overseas Research and Development Association, an international NGO in Vietnam. BORDA designed and

supervised the construction of the waste treatment system free of charge.

The DEWATS is low-maintenance as the most important parts of the system work without the need of technical energy inputs and cannot be switched off intentionally. The DEWATS provides state-of-the-art technology at affordable prices because all of the materials used for construction are locally available. The system does not need chemical pre-treatment of wastewater and the treated waste water can be recycled. The DEWATS uses the treatment principles of sedimentation, flotation and breakdown of materials using bacteria and sunlight.

The DEWATS is designed for a daily capacity of 22 cubic metres to treat faeces and urine from 50 bears, wastewater from cleaning bear dens,

and domestic wastewater from 10 persons working at the facility. The recycled wastewater will be reused for cleaning bear dens and irrigation. The treated effluent from the DEWATS will achieve the highest Vietnamese effluent standard. The whole system is underground except for the polishing pond.

To find out more about Animals Asia Foundation visit [www.animalsasia.org](http://www.animalsasia.org).



Photos courtesy Animals Asia Foundation

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# Investment manager's report



**James Jordan,**  
**Acting Investment Manager**

Australian Ethical trusts were affected by turbulent global financial markets in the half-year ending December 2007, although the Australian Ethical trusts did outperform their respective benchmarks over the six months. The volatility in the global markets over that period and in early 2008 arose from problems in credit markets combined with fears of a possible recession in the United States.

## Since December 2007

The first three months of 2008 have seen the largest falls on world stock market indices in many years. The Australian stock market has been caught up in this. All of the Australian Ethical trusts that hold equities are being affected, and investors will have noticed the impact on unit prices.

In the April 2007 *Aim High* newsletter, the investment manager wrote the following:

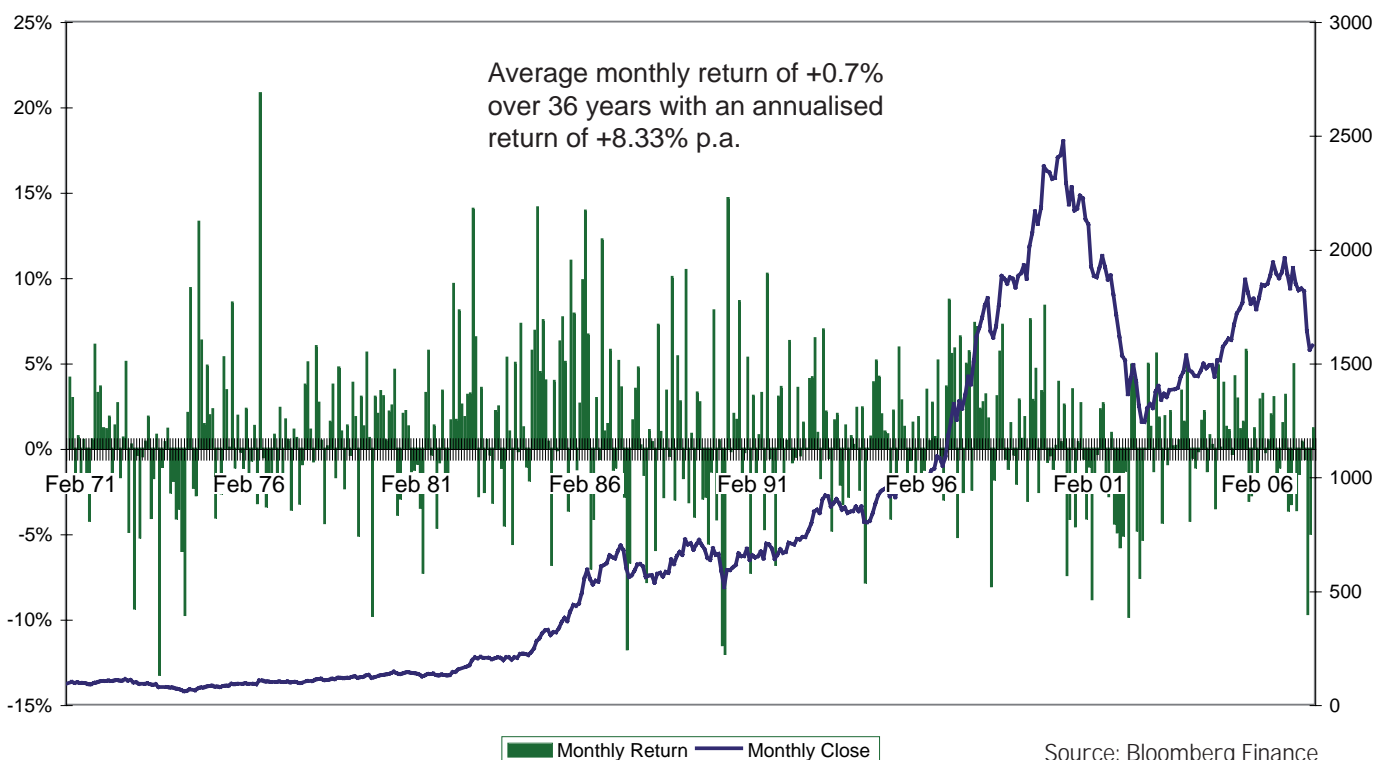
'...we have been experiencing what has been one of the longest and strongest bull runs in the history of the

share market. I think it is now four years in a row of double-digit rises and I am guessing that most people are happy with their returns over that period. But I worry that after a long period like that people start to assume that the run will go on forever and that investing in equities portfolios like the Equities Trust and the Large Companies Trust doesn't involve risk. It does. Sooner or later we will run into a downturn. So I want to emphasise that investing is a long-term endeavour and that people should be prepared for ups and downs over the life of an investment.'

The investment manager then was worried that people might get overconfident during the bull market, but the same point applies during a downturn. The recent falls in share markets remind us that equities investing involves risk and should be viewed as a long-term activity. Historically, over long enough timeframes, the share market has yielded returns above those available from cash or fixed interest investments, but with periods of short-term loss.

## MSCI World Index monthly performance

The chart below shows returns for the MSCI World index since 1970. On the chart, the green vertical bars show monthly percentage returns measured according to the scale marked on the left hand axis. The blue line shows how those monthly returns accumulate and decumulate, and are measured according to the scale on the right hand axis. Close inspection of the graph shows that most (actually four fifths) of the monthly return observations lie between -1% and +1%, while the remainder vary widely between -15% and +20%. The growth in the index over the period is equivalent to an average annual return of 8.3%.



Source: Bloomberg Finance

# Living ethically

## Investor profile – Tony Shields

I live in Ainslie, Canberra, where I run a small family investment company. In my spare time I am the volunteer advocacy director for Pedal Power ACT which works with the ACT Government for policies and facilities that will get more Canberrans cycling, more often, for a better community. I also mountain bike and fly as a private pilot.

I think it is important to recognise that you are part of a wider world and try and do a little bit to make it a better place. It's good not just from the moral aspect but also from a personal aspect. The happiest people I have met have been those involved with their community in a wider sense.

It's important to think about what I invest in. Fortunately I have been

born and live in Australia. Millions and possibly billions of people around the world would probably like to swap places with me. When I think of that, it makes you a little less greedy and more willing to think 'I don't need to make money from that.'

I think you are going to do alright if you invest ethically. If a company can find the right balance between making money and doing something useful it is on a good track. The world is becoming increasingly linked. With the Internet and the growth in communications, the damage to your reputation if you do something dodgy can grow quickly and cause you big problems.

I like the fact that Australia Ethical is quite firm and upfront on what it



invests in. Some other so-called sustainable investment funds invest in uranium or even cigarette manufacturers. I think this is misleading. This is not what most people think of when they think of sustainable.



The people behind Australian Ethical

### Ruby Athipar

Ruby joined Australian Ethical in November 2006. Working as a Trust Accountant, Ruby is responsible for the daily valuation process and provides support in preparing the financial report and year end process. She also works as a liaison between the finance and IT teams.

Ruby has completed a Bachelor of Commerce and is currently studying toward being a Certified Practising Accountant. Ruby feels proud to be an employee of Australian Ethical and enjoys working with her friendly team.

Ruby spends most of her time with her family and likes to read books when she gets some spare time.

### Helen Cannon

Helen joined Australian Ethical as a client services officer and administrator in the trust administration team in February 2007. Her responsibilities include frontline resolution of enquiries and issues raised by investors and day-to-day processing of applications, withdrawals and administration of other services provided to investors.

Since joining Australian Ethical Helen has completed a Certificate of Managed Investment and completed a course on unit trust administration. Before joining Australian Ethical she held administration and client services roles in Sydney with NZI Insurance, IBM Australia and Genesys Wealth Advisers.

Helen moved to Canberra after her husband had secured work here. They have two sons who live in Sydney. Helen's interests include reading, quilting and, more recently, beading and jewellery making. Helen likes to watch sport and prefers AFL and rugby union to league. Go the Swans!

### Allan Bontjer

Allan joined Australian Ethical in February 2007 from IBM. He currently works with Bevan, Neil and Caroline in providing IT support for the network, servers and desktop computers. He has worked with networks and servers for nearly 15 years in Australia and overseas including three years spent working with a specialist firm on Wall Street.

Allan is heavily involved with masters sport in the ACT in both football and cycling. He coaches the Weston Creek women's masters team and helps organise cycle racing for the ACT Veteran's Cycling Club. This year Allan hopes to compete in the State, National and World Championships for masters level cycling on the velodrome.

# Ethical issue: the ageing population

In most western societies post-Second World War generations are reaching retirement age. Those in this population bubble are commonly referred to as baby boomers. With this demographic shift there will be an increased demand for aged care and health care services in many countries. This article focuses on these investment sectors as two that will be particularly influenced by ageing populations.

People aged 85 years or more are likely to require aged care or health care services regularly. In Australia, the population that is aged 85 and over is expected to increase from an estimated 1.3% in 1999 to 6–8% in 2051. By 2021, 440 000 people will be aged over 85 years and this will increase to more than 1.1 million people by 2051.

The number of people aged 55 and over is expected to rise from the 21% it was in 1999 to almost 40% by 2051. Australian Bureau of Statistics projections show the median age of Australians is likely to grow from 34.9 years in 1999 to between 43 and 46 by 2051. Hence the structure of the population will change with a heavier concentration of people aged 55 years and over.

Due to the projected change in population dynamics in Australia the aged care and health care sectors are going to be growth industries. This will place demands on government and industry.

## ***Demand for retirement living facilities***

As the age and life expectancies of Australians increase it will have profound consequences for investment markets. One of the consequences of this development is how and where baby boomers will want to live in the coming years.

Experts predict in the next 20 years Australia will need up to 79 000 new living units to accommodate the over 65s, and 350 to 400 new retirement villages. According to some studies this offers an investment opportunity of between \$8–19 billion.

However, not all baby boomers will want to live in retirement villages. Indeed, many may not wish to fully retire. Nevertheless, demand in the area of retirement facilities will increase in the years to come.

## ***Demand for health care services***

As people grow older their health costs and needs tend to rise. This will put a burden on the existing health system. Health expenditure in Australia is approximately 10% of gross domestic product yet the health system itself is already ailing in many areas.

Public state hospitals remain the principal safe guard against health disaster for most Australians. However, states generally operate on tight budgets. The Commonwealth has also reduced its share of hospital funding over the last 10 years. So what are the implications of this for the health care sector?

The Australian Health-Care Agreement between the Commonwealth and the states provides the framework for the way the health care system is managed in Australia. The Commonwealth is responsible for primary care through general practice, diagnostic and specialist services outside hospitals, the pharmaceutical benefits scheme and aged care through nursing homes.

Public hospitals have changed substantially over the years, with stays in hospitals now much shorter. Care for illnesses in community settings now requires close work between hospitals (state run) and community services (Commonwealth run). Older people often have frailer health and in general have more need of health services.

Aged care and health care sectors are utilised to support the elderly in their twilight years and will continue to be part of the ethical investment universe in the years ahead. This will mean investment in areas such as aged living infrastructure and property trusts investing in aged

care infrastructure. It will also mean investment in the management of such facilities and further investment in a myriad of health care service providers and technologies.

Two of Australian Ethical's more recent investments in aged and health care services include FKP Property Group and Prime Retirement and Aged Care Property Trust.

FKP Property Group is a leading diversified property and investment group. The company has expertise in retirement village ownership and management. As a leading provider of retirement lifestyles it is committed to providing accommodation, facilities and services that enable residents to live well.

Prime Retirement and Aged Care Property Trust is the third largest owner of retirement resorts and aged care facilities in Australia. The portfolio has over 4600 retirement village units and 780 aged care beds. There is also a pipeline for a further 1800 units and beds. Their retirement and aged care facilities will supply essential infrastructure to those Australians reaching retirement age in the coming years.

Australian Ethical also has similar investments in Babcock & Brown Communities Group, Health Care REIT, ING Real Estate Healthcare Fund and ING Real Estate Community Living Fund.



## Key performance indicators to 31 March 2008

Fund size \$m    1 year return (%)    3 year return (% pa)    5 year return (% pa)    Since inception (% pa)    Inception year

**Trust**

Balanced	234.4	-7.9	4.0	8.7	7.4	1989
Equities	176.2	-12.9	8.3	13.7	9.9	1994
Large Company	128.7	-16.4	5.2	12.8	10.3	1997
World	6.1	-	-	-	-12.2	2007
Income	26.1	4.2	4.8	4.9	4.6	1997

**Super**

Balanced	117.6	-6.7	4.0	8.1	7.5	1998
Equities	76.7	-11.1	8.4	12.6	10.1	1998
Large Company	58.3	-14.1	5.6	12.0	10.7	1998
World	1.6	-	-	-	-11.0	2007
Income	13.3	3.6	4.1	4.2	3.9	1998

**Pension**

Balanced	15.8	-7.5	4.5	9.0	8.0	1999
Equities	4.5	-11.9	9.6	14.1	10.3	1999
Large Company	3.8	-16.0	6.0	13.0	9.5	1999
World	<1	-	-	-	-11.1	2007
Income	1.5	3.9	4.7	5.0	4.9	1999

The latest available performance figures can be obtained from our website [www.austethical.com.au](http://www.austethical.com.au) or by calling 1800 021 227. Past performance is not a reliable indicator of future performance. Total returns are calculated using exit prices. Total returns take into account ongoing management fees and trust or fund expenses, except that the annual super fund member fee of \$41 is not included. For the trusts, total returns are calculated as if distributions of income have been reinvested. They do not take into account tax that may be payable on the distribution of income. For the fund, total returns are calculated taking into account taxation on fund earnings and capital gains. Neither the return of capital nor the performance of a trust or the fund is guaranteed. Figures showing a period of less than one year have not been adjusted to show an annual total return. Figures for periods of greater than one year are on a per annum compound basis. Units in the trusts are offered and issued by Australian Ethical Investment Ltd (AEI) ABN 47 003 188 930, AFSL 229949. Interests in the superannuation fund are offered by AEI and issued by the trustee of the fund, Australian Ethical Superannuation Pty Ltd ABN 43 079 259 733, RSEL L0001441. Product disclosure statements are available from our website or by calling us and should be considered before deciding whether to acquire, or continue to hold, units in the trusts or interests in the fund.

## Company profiles\*

### EDF Energies Nouvelles

EDF Energies Nouvelles is a leading French renewable energy generation company. The company is involved in the business of wind, hydro, solar and biomass power generation. Green electricity is produced by company operations in 10 countries across Europe and the United States. The company is involved in a partnership that will construct one of Europe's largest offshore wind farms.

### Petratherm

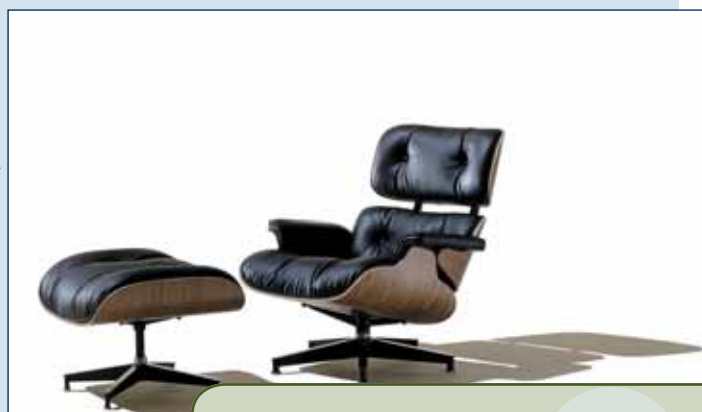
Petratherm is aiming to produce commercially sustainable, emission-free, renewable energy by identifying

and developing hot geothermal source rocks. Unlike burning fossil fuels, geothermal energy emits no greenhouse gases, pollution or hazardous wastes. The company has geothermal energy projects in South Australia and Spain.

### Herman Miller

Herman Miller is a United States based manufacturer and distributor of furnishings, interior products, and related services for the office and healthcare sectors. The company has won numerous awards for its approach to reducing waste, using recycled material in its finished products and for

outstanding innovation in design. Herman Miller has made a board-level commitment to become sustainable in all aspects of its operations.



\*USE OF INVESTMENT EXAMPLES: By including the investment examples in this newsletter, we seek to further our transparency to investors and inform you about the nature of the Australian Ethical trust portfolios. The examples are provided by way of illustration only and you must not treat them as advice or recommendations about any particular item or asset class.

Photo courtesy Herman Miller. Front cover photos © Helen MacDougall, Susan MacDougall, Getinge AB and Aviva.

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