

URS

Sustainability Reporters Benchmarking Program 2005 – 2006



The Centre for
**PUBLIC AGENCY
SUSTAINABILITY REPORTING™**





The more formal recognition of public reporting of non-financial performance stemmed from the 1992 United Nations Conference on Environment and Development (UNCED), often known as the Rio Summit, and was based on the community's right to know.



Contents

1	Introduction	1-1
2	The Current Status of Reporting	2-1
2.1	Global	2-1
2.1.1	Emerging Reporters	2-1
2.2	Australasia	2-2
3	Global Reporting Initiative and AA1000	3-1
3.1	Global Reporting Initiative	3-1
3.2	AA1000 Assurance Standard	3-2
4	List of Participants 2005-2006	4-1
5	The Benchmarking Process	5-1
5.1	History	5-1
5.2	The Approach	5-1
5.3	The Scorecard	5-2
5.4	GRI Review Methodology	5-3
5.5	AA1000 Assurance Standard Review Methodology	5-7
5.6	Project Limitations	5-7
6	The Findings Scorecard	6-1
6.1	Benchmarking Scores 2006	6-1
6.2	Comparison of Australasian Results with Global Scores	6-1
6.3	Business Sector Analysis	6-2
6.4	Reporting Ingredients Analysis	6-2
6.5	Review by Carol Adams	6-3
7	The Findings - Global Reporting Initiative GRI GR3	7-1
7.1	Performance of Participants	7-1
8	The Findings of AA1000	8-1
8.1	Performance and Participants	8-1
9	Encouraging Signs	9-1
10	Areas for Improvement	10-1
11	Where to From Here	11-1
12	Links and Useful References	12-1
13	Limitations	13-1

Tables, Figures, Appendices

1. Introduction

The public reporting of organisational performance, other than financial performance, has been progressively evolving around the world over the past two decades, increasing in such importance that it is now commonly accepted as a framework for evaluating social and environmental performance of organisations. Non-financial reporting, now generally presented under the concept of sustainability, may include reporting of an organisation's community, social, environment, health and safety and economic performance.

The history of sustainability reporting can be traced back to the late 1980's, when external pressures from interest groups (after significant environmental and social incidents) resulted in organisations beginning to report their environmental and social performance publicly. Formal recognition of public reporting of non-financial performance arose from the 1992 United Nations Conference on Environment and Development (UNCED), often known as the Rio Summit and was based on the concept of 'Community's Right to Know'.

The move towards mainstreaming sustainability reporting is evident as organisations begin to integrate sustainability reporting and sustainability performance awareness into all aspects of management and routine operations, including stakeholder interactions.

To understand how this mainstreaming of sustainability reporting is progressing and to determine which sectors and organisations are leading the way this biennial Australasian Sustainability Reporters Benchmarking Program was established in 1998 by Terence Jeyaretnam. It has since been followed up in 2000, 2002, 2004 and now in 2006. Benefits that an organisation obtains from participating in this program include :

- Strategic assessment of the organisation's sustainability reporting, to give insight into improving the communication value of the reporting and the key implications of the business;
- An indication of the standard of an organisation's reporting in comparison to other organisations, both within and outside its industry sector;
- Assessment against global best practice reporting guidelines as published by the GRI (draft at time of use); and
- Generation of publicity for the organisation's sustainability management and reporting programs. The organisation is often seen as among those continuing to set the trend in sustainability reporting across the Asia Pacific Region.

Most importantly the participating organisations become a beacon for new reporters by show-casing best practice reporting and latest trends.

25 organisations, from 9 sectors participated in the 2005-2006 review, the fifth of the Australasian Sustainability Reporters Benchmarking Programs. It is vital to note that this program does not assess an organisation's actual sustainability performance, but focuses on how an organisation publicly reports its sustainability performance. The first four programs (1998, 2000, 2002 & 2004) were undertaken using criteria jointly developed by UNEP and SustainAbility. The 2004 program also assessed each report against the principles of the Global Reporting Initiative (GRI) and the AA1000 Assurance Standard.

Reports benchmarked were those current and submitted at the time of the benchmarking program commencement in February, 2006. 2004/05 reporting year reports were used for this 2005/2006 program. The project team acknowledges that several organisations have since published new reports, which are often an improvement.

A brand new methodology was developed for this year's program, which we believe improves upon the methodology used in previous programs. This is in response to what program managers previously identified as weaknesses in the UNEP/SustainAbility methodology. With this new methodology, reports were also broadly assessed against the principles of both the GRI G3 (Draft, at the time of use) and AA1000 Assurance Standard to gauge each participating organisation's performance against these international best practice reporting standards.

The GRI is a multi-stakeholder process and independent institution whose mission is to develop and provide a series of Sustainability Reporting Guidelines for use globally. These guidelines are for voluntary use by organisations for the reporting of economic, environmental and social impacts of their activities, products and services. These reporting guidelines have been updated in 2006 (version 3 known as G3 Draft) after multi-stakeholder collaboration that occurred over 2004-2005. Further information on GRI and the G3 principles is presented in Section 3-1.

Whilst the G3 was still a DRAFT standard at the time of conducting the review, the program team used the G3 DRAFT as a reference standard because it was decided that the potential of any significant changes from DRAFT to FINAL was low. The final version of the G3 has since been published. Findings of the assessment are presented in Section 7, with performance against each of the principles assessed as "non-conformance", "partial conformance", "conformance" or "exceeds conformance" for each report.

The AA 1000 Assurance Standard is a generally applicable standard for assessing, attesting to, and strengthening the credibility and quality of an organisation's sustainability reporting and its underlying processes, systems and competencies. It provides guidance on key elements of the assurance process. Further information on AA1000 Assurance Standard is presented in Section 3-2. Findings of the assessment are presented in Section 8 with performance against each of the principles assessed as "non-conformance", "partial conformance", "conformance" or "exceeds conformance" for each report.

To further strengthen and enhance the program's credibility in 2006, La Trobe University Professor Carol Adams was engaged as an independent peer reviewer to the program. The key objectives were to review potential conflicts and the integrity of the assessment process. A summary of Professor Adams' findings are included in Section 6-5.

The Centre for Public Agency Sustainability Reporting™ (the Centre) based in Melbourne partnered with the program this year. The Centre aims to improve the performance of public agencies through the practice of sustainability reporting. URS used the scorecard to undertake a diagnostic of advanced public sector reporters who were members of the Centre's Australia and New Zealand Reporting Alliance. Through the Reporting Alliance and other programs, the Centre builds capacity in public agencies to undertake sustainability reporting, and facilitates the development of best practice in sustainability reporting by public agencies.

The Environmental Protection Authority (EPA) of Victoria also partnered by sponsoring three of its sustainability covenant signatories to the program. The EPA works to protect, care for, and improve the environment. Sustainability covenants are voluntary agreements through which EPA and an organisation or a group of organisations can explore new creative ways of reducing the environmental impact and increasing the resource efficiency of their products and services.

The program team kindly acknowledges the enormous contribution from both the Centre for Public Agency Sustainability Reporting and the Environmental Protection Authority of Victoria to this study.



We aspire to Zero Harm to people, our host communities and the environment and strive to achieve leading industry practice.

We will be successful when we achieve our targets towards Zero Harm, are valued by our host communities, and provide lasting social, environmental and economic benefits to society.

BHP Billiton



2. The Current Status of Reporting

2.1 Global

Sustainability reporting in its many forms and methods continues to grow from strength to strength throughout the world. Recent reviews of its status include KPMG's *"International Survey of Corporate Responsibility Reporting"* 2005; Context's *"Global Corporate Responsibility Reporting Trends: Reporting in Context"* 2006; SustainAbility's *"Risk and Opportunity: Best Practise in Non-Financial Reporting"*, 2004 (2006 version released in November 2006, but not taken into consideration in forming this report); and Strato's *"Corporate Sustainability Reporting in Canada"*, 2005.

Key conclusions from these reviews include:

- Reporting has increased substantially in the last 3 years with 52 percent of top 250 Global Fortune 500 companies and 33 percent of N100 (Top 100 companies in 16 industrialised nations) companies releasing reports (an increase of 7% and 10% respectively from 2002) — KPMG.
- Japan, UK and Europe have the highest numbers of reporters closely followed by Canada (Context; KPMG).
- Financial sector sustainability reporting has increased two fold since 2002 (KPMG).
- Independent assurance use is still growing (KPMG; Stratos). The United States is rarely using external verification (Context).
- Of the 2000 sustainability reports issued during 2005 (www.corporateregister.com) it is estimated that 750 used the GRI guidelines to varying degrees to formulate their report (GRI Activities Statement, 2005).
- Use of, and application of, materiality for what is reported is an issue. Incorrect use has led to long and complicated reports outlining the need to prioritise material issues (Context; Sustainability; KPMG).
- Coverage of corporate governance has increased (Context; SustainAbility; Stratos).
- Human rights remain a weak reporting area. It is either not reported or only mentioned generally (Stratos; KPMG).

Europe's continued high reporting status can be attributed to the legislation of mandatory reporting in countries such as Denmark, Norway, Sweden and the Netherlands. In 2003, France also introduced les Nouvelles Régulations Economiques, enforcing mandatory reporting for all companies listed on the Paris Stock Exchange.

Sustainability reporting by the public sector has not increased as rapidly as reporting by the private sector. There are examples of 'good practice' by public agencies in different jurisdictions but more progress is required.

2.1.1 Emerging Reporters

A notable mention in the emerging reporting countries is South Africa. Of the 977 reports listed on the GRI Register as having a GRI content index, 63 were attributed to South Africa compared to 53 and 19 from Australia and New Zealand respectively (www.globalreporting.org , accessed - 8/11/2006)¹.

This uptake of reporting in South Africa can be attributed to two factors, namely the adoption of the King Report on Corporate Governance (King II) for listed companies and the introduction of the Socially Responsible Investment ("SRI") Index to the Johannesburg Stock Exchange (KPMG; www.jse.co.za/sri).

The SRI index was created as a means to identify companies that integrate the principles of the triple bottom line into their business activities, and to facilitate investment in such companies (www.jse.co.za/sri). Entry to the SRI is based on voluntarily submission of data that is assessed against the determined SRI Index Criteria (www.jse.co.za/sri). The SRI Index criteria are structured under the pillars of environmental, social and economic sustainability. Companies are required to publicly report performance under the criteria to be eligible. Fifty-eight companies were deemed eligible to be part of the 2006 index (www.jse.co.za/sri), of which 17 were listed on the GRI Register Database as having a GRI content index (www.globalreporting.org , accessed 08/11/2006).

1. Note that at the time of writing the GRI Register database does not allow users to search based on years of reporting and as such numbers are likely to include multiple reports from the same organisation.

2.2 Australasia

Currently there are 53 Australian Sustainability reports listed on the GRI Register database as having at least a GRI content index (www.globalreporting.org, accessed 8/11/2006).

Recent reviews of the level of reporting in Australia include CPA Australia's *"Sustainability Reporting: Practises, Performance and Potential"*, 2005; and Australian Government's, Department of Environment and Heritage (DEH) *"The State of Sustainability Reporting in Australia"* in 2005.

Major findings include:

- 24% of 486 companies covered by the survey are producing a sustainability report (DEH).
- Of those reporting 34% have independently verification or assurance (DEH).
- 51% of those reporting used the GRI guidelines in some way (DEH).

In June 2006, the Australian Parliamentary Joint Committee on Corporations and Financial Services released an Inquiry report on Corporate Responsibility: *Managing risk and creating value*. The Committee found that Australia 'lags behind' in implementing and reporting on corporate social responsibility, but concluded that reporting should remain voluntary. The Committee stated that it was 'strongly supportive' of the Global Reporting Initiative (GRI) and commended those organisations that were 'active contributors to, and participants in, the GRI process.' While stopping short of recommending GRI as the Australian voluntary reporting framework, the Committee recommended the Australian Government continues to monitor GRI uptake and provide guidance on how to apply the GRI framework. The Committee further stated that the Government could 'do more' to encourage corporate responsibility, for example, 'by providing leadership in best practice, primarily through its own agencies and activities' (Parliamentary Joint Committee on Corporations and Financial Services, 2006).

Within Landcom there is a keen appreciation that sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Like any sound investment, each generation is entitled to the interest on the natural capital we all enjoy, but the principal should also be protected.

Landcom



Sustainability is about the need to conduct business without degrading physical, social or environmental resources — we need to tread lightly.

City West Water



3. Global Reporting Initiative and AA1000

3.1 Global Reporting Initiative

The GRI began in 1997 and became independent in 2002 as an official collaborating centre of the United Nations Environment Program. The 2006 Sustainability Reporting Guidelines (Version 3 known as G3) were released for public comment between 2 January 2006 and 31 March 2006. The final was released in October, 2006. For the purpose of the program the DRAFT G3 was used for assessment as it was draft at the time the program scorecard was developed. The final version of G3 has since been released. Areas that are new in the G3 Draft compared to the 2002 guidelines are:

- guidance on defining the content of a report, and the quality of data;
- guidance on setting the report boundary;
- each reporting principle (of which, some are new/revised) is accompanied by a set of tests to help with their application;
- a new section on disclosure items on strategy and analysis that highlights key issues, risks and opportunities;

- the indicator section has been restructured and now contains disclosures on management approach and performance indicators; and
- a protocol has been created for each indicator, outlining key definitions, compilation methodologies and resources.

(Source: Everything you need to know about the DRAFT G3 Guidelines- past, present, and future, Global Reporting Initiative, 2006). The final version of G3 includes all of the above.

Most relevant to this review has been the changes to the reporting principles. Each principle is presented with a short definition, a longer explanation on how it can be useful in application and a series of self-tests that will help the organisation apply each principle (Global Reporting Initiative, 2006). Table 3 1 presents the changes to reporting principles from the G2 to G3 guidelines. Additional details on the G3 Principles are included in Section 5.4.

Table 3-1 Changes to Reporting Principles from G2 to G3 DRAFT Guidelines

G2 Principles (2002 Guidelines)	G3 Principles (2006 DRAFT Guidelines) *
Transparency	
Inclusiveness	Inclusiveness (issue determination- stakeholder engagement)
Completeness	Completeness
Relevance	Relevance/materiality
Sustainability Context	Sustainability Context
Accuracy	Accuracy (Quality of Data)
Neutrality	Balance
Comparability	Comparability
Clarity	Clarity
Timeliness	Timeliness
Auditability	Assurability

(Source: Everything you need to know about the DRAFT G3 Guidelines- past, present, and future, Global Reporting Initiative, 2006)

3.2 AA1000 Assurance Standard

In its own words the AA 1000 Assurance Standard is a generally applicable standard for assessing, attesting to, and strengthening the credibility and quality of organisational sustainability reporting, and their underlying processes, systems and competencies. It provides guidance on key elements of the assurance process.

The AA1000 Assurance Standard is increasingly being adopted as the most commonly accepted guidance by corporations for assurance provision to sustainability reports. The AA1000 Assurance Standard, developed by AccountAbility (UK), is the first initiative offering a non-proprietary, open-source assurance standard covering the full range of an organisation's disclosure and associated performance, ie. 'sustainability' reporting and performance. It draws from, and builds upon, mainstream financial, environmental and quality-related assurance, and integrates key learnings with the emerging practice of sustainability management and accountability, as well as associated reporting and assurance practices (AA1000, 2002). Descriptions of the principles and criteria are presented in Section 5.4.

The standard suggests that assurance levels may depend on the following:

- information available;
- sufficiency of evidence;
- underlying systems and processes;
- internal assurance systems;
- existing assurance for specific aspects of performance reporting;
- resources allocation for assurance by the reporting organisation;
- legal or commercial constraints; and
- competencies of the assurance provider.

The following principles must be applied in an assurance process using the AA1000 Assurance Standard.

Figure 3-1 AA1000 Assurance Standard Principles



At IAG, “sustainability” is about bringing the future into today’s decision making for the benefit of our business, customers and communities.

Insurance Australia Group



“Sustainability is about taking responsibility for what you do and how it impacts others about being ethical, fair and leaving an improved economic and environmental legacy to those that follow us.”

CitiPower/Powercor



4. List of Participants 2005 – 2006

The following organisations participated in this Benchmarking program.

Wesfarmers Limited

Insurance Australia Group Limited

BHP Billiton Limited

Hydro Tasmania

Murray Irrigation Limited

The Port of Brisbane Corporation

Anonymous 2

City West Water Limited

Sydney Water Corporation

Melbourne Water Corporation

South Australian Water Corporation

City of Melbourne

Landcom Corporation

Anonymous 1

Australian Government - Department of Environment and Water Resources

Australian and New Zealand Banking Group Limited

CitiPower Pty / Powercor Australia Ltd

Government of South Australia - Department for Environment and Heritage

mecu Limited

VicSuper Pty Ltd

WSN Environmental Solutions Corporation

Kangan Batman Institute of TAFE

Watercare Services Limited (NZ)

International Council for Local Environmental Initiatives- Australia/New Zealand (Scorecard only)

ActewAGL

Forests NSW



Our commitment to sustainability goes beyond environmental responsibilities; it extends to our stakeholders, including customers and staff. Sustainability means providing a high level of service to our customers, ensuring a family-friendly workplace and investing in the training and development of our people. It also extends to sustainable financial decision making and good governance in how we operate.

WSN Environmental Solutions



5. The Benchmarking Process

5.1 History

This report outlines the key findings from this comprehensive sustainability reporting benchmarking study, conducted to evaluate trends as they emerge in the area of public sustainability reporting in Australasia. It is the fifth review in a series of studies conducted in Australia and New Zealand on public environmental and sustainability reports. It has evolved from the first study, which was undertaken in 1998, as an assessment of environmental reporting alone to its brand new methodology of a scorecard analysis tied closely to the requirements of GRI and AA 1000 AS. Accordingly, we believe that the level of subjectivity has decreased significantly from the first assessment in 1998. The new scorecard also allows for each participating organisation to select the performance criteria for which it wishes to be assessed based on their relevance to the organisation, and agreed upon with the program team.

This year some reports and scorecards were randomly reviewed by Latrobe University's Professor Carol Adams, further heightening the level of independence and reducing subjectivity.

5.2 The Approach

The key project members were Terence Jeyaretnam, Program Originator and Program Director and David Aytan , Primary Analyst and Program Manager. Other program team members included Ken Fung, Megan Burgess, Andy Jones, Gabrielle McCorkell, Vicki-lee Tarca and Camilla Montgomery. Carol Adams participated as an independent reviewer from Latrobe University.

The various stages of the entire benchmarking process are outlined in Table 5 1.

Table 5-1 Stages Involved in the Benchmarking Process

STAGE	DESCRIPTION	
1	Collection of Information	Organisations provided the team with the relevant publication(s). However, in some instances the team was also required to source reports and additional relevant information required for the benchmarking process from publicly available sources.
2	Preliminary Review	This involved a cursory review of the report to quickly identify areas of deficiency and to highlight areas of best practice reporting.
3	In depth Review	Following the cursory review, the reviewer undertook an in-depth review of the report. This involved a critical analysis of all components of the report. The review formed the basis of stage 4- Scoring.
4	Scoring	Using observations made in stage 3 and matching them with specific examples outlined in the scorecard, a score was applied by the analyst to each of the scoring ingredients.
5	Preparation of Feedback Report	Observations made in Stages 3 and 4 were then consolidated and discussed in a feedback report to the organisation.
6	Review	Both the scorecard and the feedback report were reviewed. Consistency between other report scorecards and previous studies was addressed. The scorecard was also reviewed by a separate independent reviewer, who assisted in providing consistency across all scorecards.
7	Revise Scores and Feedback (where required)	Based on Stage 6 results, the scorecard and the feedback reports were revised (if and as required).
8	Feedback and Scores to organisation for comment	A draft scorecard and feedback report was then issued to the organisation for comment.
9	Assess and incorporate (where appropriate)	Comments were received from the organisation(s) and considered for incorporation.
10	Final scores and Benchmarking	Based on comments received, scores and feedback reports were then finalised.

Independency of Reviewers and Analysts

Each of the 25 reports was reviewed by an analyst, as well as a reviewer. Typically, analysts and the reviewers would have an in depth understanding of the benchmarking process, its development and previous results. By ensuring only a limited number of analysts and reviewers worked on this year's study, URS has been able to ensure consistency between this years' and previous years' studies.

To ensure independence and to remove perceived bias in the benchmarking process, the analyst for each report was selected based on their past working history with that particular organisation. If an analyst had undertaken any commissions for the organisation in the previous 12 months and/or was involved in any way in the production of the report, they were excluded from benchmarking the organisation's report due to perceived conflicts. This approach maximized independence and objectivity in the assessment.

5.3 The Scorecard

The 2006 scorecard was developed based on the GRI G3 Standard and the AA1000 Assurance Standard. The scorecard allows adequate flexibility for participants to select performance criteria for which they wish to be assessed against based on their relevance to the organisation. For example, child labour may not be directly relevant to a small local company in Australia, even from a procurement point of view. This is a similar approach to that employed by G3 on the basis of the materiality principle. The scorecard also aims to remove much of the subjectivity associated with previous UNEP/Sustainability scorecards by providing specific reasoning for what an analyst needs to identify in the report in order to award a particular score. The scorecard comprises of four reporting clusters and a combined total of 67 indicators (See Table 5 2 below). A copy of the scorecard is included at Appendix A. The maximum possible score is 200, but this may change depending on the numbers of indicators not included due to material relevance. It should be noted that when a report's score on an element was deemed to be between two scores, the analysts awarded the more conservative score to the report.

Table 5-2 Reporting Clusters and Indicators

Scope and Context (Highest possible score 42)
Vision and Strategy
Reporting and Organisational Profile
Structure and Governance
Policies and Management Systems
Performance (Highest possible score 108)
Economic
Environmental
Social
Internal
Suppliers, Products and Services
Transparency (Highest possible score 30)
Verification / Assurance
Stakeholders
Materiality (AA1000 AS)
Completeness (AA1000 AS)
Responsiveness (AA1000 AS)
Overall Presentation (Highest possible score 20)
Overall Presentation
Availability and Accessibility
Overall Perception of Report Usefulness

5.4 GRI Review Methodology

The level of conformance against the GRI G3 principles was assessed based on the criteria included in Table 5-3 below. A 'conformance' or 'exceeds conformance' rating was only applied to a report if all the requirements in the right hand column of the table were either met, or exceeded, respectively.

Table 5-3 GRI G3 DRAFT Performance Criteria

PRINCIPLE	REQUIREMENTS OF THE PRINCIPLE	REQUIREMENTS WITHIN A REPORT TO ACHIEVE CONFORMANCE
<p>INCLUSIVITY</p>	<p>The reporting organisation should identify its stakeholders and explain how it has responded to their issues in the report.</p>	<ul style="list-style-type: none"> — The organisation describes the stakeholders to whom it considers itself to be accountable, and identifies the stakeholders that it expects to use the report. — The report content draws upon the outcomes of stakeholder engagement processes used by the organisation to manage its activities. — The report content draws upon the outcomes of any stakeholder engagement processes undertaken specifically for the report. — The stakeholder engagement processes that inform decisions about the report are consistent with the scope and boundary of the report.
<p>RELEVANCE AND MATERIALITY</p>	<p>The information in a report should cover issues and indicators that would substantively influence the decisions of the stakeholders using the reports.</p>	<p>External Factors: In defining material issues, the reporting organisation takes into account external factors including:</p> <ul style="list-style-type: none"> — Major sustainability interests/issues raised by stakeholders. — The main issues for the sector reported by peers and competitors. — Local, regional, national and international regulations, laws or voluntary agreements with strategic significance to the organisation. — Reasonably estimate sustainability risks and opportunities (E.g, climate change, HIV-AIDS, poverty) identified through sound investigation by people with recognised expertise or expert bodies with recognised credentials in the field. <p>Internal Factors: In defining material issues, the reporting organisation takes into account internal factors including:</p> <ul style="list-style-type: none"> — Key organisational values, policies, strategies, operational management systems, goals and targets. — Major risks to the organization. — Critical factors for enabling organisational success. — The organisations core competencies and the manner in which they contribute to sustainable development. <p>Prioritizing</p> <ul style="list-style-type: none"> — The report prioritizes material issues and indicators.
<p>SUSTAINABILITY CONTEXT</p>	<p>The reporting organisation should present its performance in the wider context of sustainability, where such context has significant interpretative value.</p>	<ul style="list-style-type: none"> — The organisation presents its understanding of sustainable development and draws on the best available information and measures of sustainable development for the issues covered in the report. — The organisation presents its performance with reference to broader sustainable development conditions and goals as reflected in recognised local, regional and/or global publications. — The organisation presents its performance in a manner that attempts to communicate the magnitude of its impact and contribution in appropriate geographical contexts. — The report describes how major sustainability issues relate to long-term organisational strategy, risks and opportunities including supply chain issues.

PRINCIPLE	REQUIREMENTS OF THE PRINCIPLE	REQUIREMENTS WITHIN A REPORT TO ACHIEVE CONFORMANCE
COMPLETENESS	Coverage of the relevant and material issues and indicators, and definition of the report boundary should be sufficient to enable stakeholders to assess the reporting organisation's economic, environmental and social performance in the reported period.	<ul style="list-style-type: none"> — The report covers issues and indicators prioritized on the basis of materiality, sustainability context, and stakeholder engagement, and was developed taking into account the whole value chain. — The report includes all entities controlled or significantly influenced by the organisation unless otherwise declared. — The information in the report includes all significant actions or events in the period reported on, and reasonable estimates of significant future impacts of past events when those impacts are reasonably foreseeable and may become unavoidable or irreversible. — The report does not omit relevant information that would influence stakeholder decisions.
BALANCE	The report should provide a balanced and reasonable presentation of the reporting organisations performance.	<ul style="list-style-type: none"> — The report discloses both favourable and unfavourable results and issues. — The information in the report is presented in a format that allows users to see positive and negative trends in performance. — The emphasis on different content of the report is proportionate to the relative materiality of the issues or information.
COMPARABILITY	The information reported should remain consistent and be compiled and presented in a manner that enables stakeholders using the report to analyse changes in the organisation performance over time as well as relative to other organisations.	<ul style="list-style-type: none"> — The report and the information contained within it can be compared on a year to year basis. — The organisation performance can be compared with appropriate benchmarks. — Any significant variation in basic report content with respect to boundary, scope, length of reporting period, or information covered year-to-year can be identified and explained. — Where they are available, the reporting organisation applies generally accepted protocol for compiling information, including the GRI Technical Protocols for indicators contained in the Guidelines. — The report uses GRI Sector Supplements, where available.
ACCURACY	The reported information should be accurate and sufficiently detailed for stakeholders using the report to make decisions with a high degree of confidence.	<ul style="list-style-type: none"> — The report indicates what data has been measured. — The data measurement techniques and bases for calculations are adequately described and can be replaced with similar results. — The margin of error for quantitative data is not sufficient to substantially influence conclusions on performance. — The report indicates what data has been estimated and what assumptions and techniques have been used to produce the estimates. — The qualitative statements in the report are valid on the basis of other reported information and other available evidence.

PRINCIPLE	REQUIREMENTS OF THE PRINCIPLE	REQUIREMENTS WITHIN A REPORT TO ACHIEVE CONFORMANCE
CLARITY	Information should be made available in a manner that is understandable by and accessible to stakeholders in using the report.	<ul style="list-style-type: none"> — The report contains the necessary level of information for the needs of report users, but avoids excessive and unnecessary detail. — Report users can find the specific information that they want without unreasonable effort through tables of contents, maps, links, or other aids. — The report includes a glossary or explanation for technical terms, acronyms, jargon or other content that is likely to be unfamiliar to report users. — The data and information in the report is available to major stakeholders including those with particular accessibility needs (differing abilities, language, technology).
TIMELINESS	The information is presented in time and on a regular schedule for stakeholders using the report to be able to make informed decisions.	<ul style="list-style-type: none"> — Information in the report has been disclosed while it is recent relative to the reporting period. — The sustainability reporting schedule is aligned with the financial reporting cycle. — The collection and availability of key performance information is aligned with the sustainability reporting schedule. — The information in web-based reports clearly indicates the time period to which it relates, when it will be updated and when the last updates were made.
ASSURABILITY	Information and process used in the preparation of a report should be recorded, compiled and analyses and disclosed in a way that could be subject to review and assurance.	<ul style="list-style-type: none"> — There is a statement from management taking responsibility for the content and process of preparing the report. — The scope and extent of the assurance, and the stakeholders expected to use the report are identified. — The original source of all information in the report can be identified by the organisation. — The organisation can attest to the reliability of the original source, and, if not, that fact is disclosed. — Representation is available from the original data or information owners, attesting to its reliability or accuracy within acceptable margins of error. — There is external evidence available from reliable sources for supporting assumptions or approached to technically complex calculations.

(Source: G3 DRAFT Guidelines)

5.5 AA1000 Assurance Standard Review Methodology

The level of conformance against the AA1000 Assurance Standard principles was undertaken based on the criteria included in Table 5-4 below. A 'conformance' or 'exceeds conformance' rating was only applied to a report if all the requirements in the right hand column were either met or exceeded, respectively.

PRINCIPLE	REQUIREMENTS OF THE PRINCIPLE	REQUIREMENTS WITHIN A REPORT TO ACHIEVE CONFORMANCE
MATERIALITY	The Materiality Principle requires that the assurance provider states whether the reporting organisation has included in the report the information about its sustainability performance required by its stakeholder for them to be able to make informed judgements, decisions and actions. Information is material if its omission or misrepresentation in the report could influence the decisions and actions, of the reporting organisation's stakeholders.	<ul style="list-style-type: none"> — Report presents details on compliance performance and contingent liability issues. — Report presents information on performance against policy positions. — Report provides details on risk assessment processes in place to identify and manage environmental and social risks. — Report addresses stakeholder based materiality issues.
COMPLETENESS	The Completeness Principle requires that the assurance process evaluates the extent to which the reporting organisation can identify and understand its sustainability performance associated with activities, products, services, sites and subsidiaries, for which it has management and legal responsibility. Such aspects, which are material to the reporting organisation or its stakeholders, can extend beyond what would normally be included in these boundaries. These aspects of sustainability performance relate to the completeness principle where the reporting organisation has the ability to influence such performance, e.g. effects of products use.	<ul style="list-style-type: none"> — Reports address significant impacts. — Report covers supply chain and product use issues over which the organisation has influence. — Report covers sites and subsidiaries over which the organisation has control. — Report is verified as being a complete account of organisational performance.
RESPONSIVENESS	The responsiveness principle requires that the reporting organisation demonstrates in its report what it has decided to do in response to specified stakeholder concerns and interests, and also provides adequate indicators of associated changes in sustainability performance. This principle does not require that the reporting organisation agrees or complies with stakeholders concerns and interests, but that it has responded coherently and consistently to them.	<ul style="list-style-type: none"> — Report present information on the stakeholders engagement process employed within the organisation. — Report presents evidence of responding to stakeholder concerns. — The responsiveness of the organisation is tested through a social audit process. — Feedback on the report from the previous reporting period is acknowledged.

Table 5-4 AA1000 Performance Criteria

Source: (AA1000 Assurance Standard)

5.6 Project Limitations

The primary limitation of this study remains the relatively high level of potential subjectivity involved. It was not possible mentally for just one analyst and reviewer to address all participating reports, with complete independence. Some level of subjectivity was evident in the scorecards through inconsistency in assessments. As a result, some results were contested by participants and scorecards and components were re-assessed in light of comments received.



The environment provides us with resources to carry out our day-to-day operations. By minimising the natural resources that we use, we will help to ensure there are resources left for the future and at the same time reduce our operating costs.

VicSuper



6. The Findings Scorecard

6.1 Benchmarking Scores 2006

A total of 26 organisations participated in the 2006 benchmarking program. The maximum score range was between 172 and 200 depending on the number of indicators used for assessment that are material to the

organisation. The assessment scores and maximum score for each organisation are listed in Table 6-1 below. The % scores were calculated from these scores and ranged from 74% to 52%. The organisations reporting performance was then ranked from highest to lowest % score.

Table 6-1 Benchmarking Scores 2006

RANK	ORGANISATION	ASSESSMENT SCORE	MAX SCORE	SCORE (%)
1	BHP Billiton	148	200	74.00%
2	WSN Environmental	135	192	70.31%
3	CitiPower/Powercor	132	188	70.21%
4	Sydney Water	139	198	70.20%
5	Landcom	127	181	70.17%
6	VicSuper	126	180	70.00%
7	mecu	123	178	69.10%
8	Watercare	131	192	68.23%
9	ANZ	125	184	67.93%
10	Hydro Tasmania	132	195	67.69%
11	City West Water	131	194	67.53%
12	Insurance Australia Group	120	180	66.67%
13	Department of Environment and Water Resources	120	182	65.93%
14	Melbourne Water	126	194	64.95%
16	Wesfarmers	129	200	64.50%
15	ICLEI	121	192	63.02%
17	South Australia Water	120	194	61.86%
18	ActewAGL	116	194	59.79%
19	State Forests	116	194	59.79%
20	Port of Brisbane	113	192	58.85%
21	City of Melbourne	113	200	56.50%
22	Anonymous 1	99	177	55.93%
23	SA Department for Environment and Heritage	96	172	55.81%
24	Murray Irrigation	107	194	55.15%
25	Kangan Batman TAFE	95	181	52.49%
26	Anonymous 2	104	200	52.00%

6.2 Comparison of Australasian Results with Global Scores

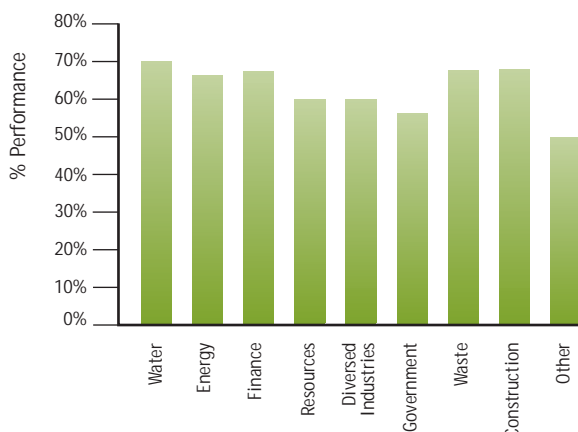
An assessment of Co-operative Financial Services Sustainability Report, 2003 (placed 1st by SustainAbility in its *“Risk & Opportunity: Best Practice in Non-Financial Reporting”* study of international sustainability reports), was undertaken by URS. The scorecard concluded that the overall score of the organisation was 71%, which places it second within this Australia/New Zealand Benchmarking Program. The reason for assessing one of the best performed companies in another benchmarking program was to accurately compare our assessments with those of other reputable programs. This essentially (and broadly) means that the scores achieved in this program are comparable to other such international programs, and therefore leaders in this Australian/New Zealand program are likely to be similarly ranked internationally.

6.3 Business Sector Analysis

Figure 6 1 demonstrates the percentage performance scored by the various business sectors. The result of this analysis is very encouraging with four of the nine sectors scoring highly (close to 70%) and within 2% of each other. These are Waste; Construction; Water and Finance sectors, in that order of high to low performance. It should be noted however, that 'Waste' and 'Construction' sectors only consist of one participant each. The performance of the 'finance' sector is indicative of trends occurring globally with an increased focus on addressing the long term impact of non-sustainable activities on the viability of financial and investment industry. The performance of the 'water' sector can be attributable to the increased stakeholder, public and political focus on water resources and their use within Australia.

In general, no sector is performing inadequately. All sectors scored above 50% on scorecard requirements.

Figure 6-1 % Performance Sectors



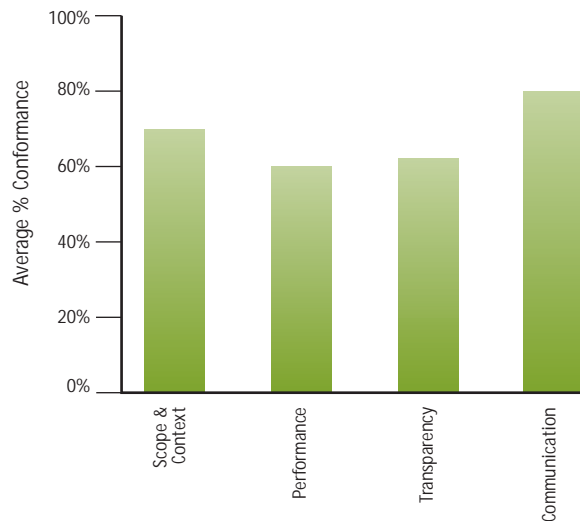
6.4 Reporting Ingredients Analysis

Figure 6 2 illustrates the average scores (in percentage terms) of the four reporting clusters: Scope and Context; Performance; Transparency; and Communication. Results of this analysis is very encouraging as it shows that conformance is occurring at a similar level across all areas of reporting, with communication out performing scope and context, transparency and performance in that order. The highest conformance to the 'Communication' requirements is a result of efforts to make reports widely available and accessible to stakeholders and public alike. We noted that most reports are available in both hard-copy and web-based versions, but with some organisations choosing not to produce hard-copy versions as a commitment to reducing paper usage.

For conformance to 'Scope and Context' the majority of organisations scored full marks for the inclusion of the important reporting elements of a 'management statement' and a statement of the company's 'sustainability vision and direction'. The areas in which organisations performed poorly were the reporting of their external and internal processes and their management systems.

'Transparency' was a weaker area of reporting. One of the key factors contributing to this was that six participating companies chose not to use an independent party to verify their reports. The other areas of 'Transparency' (including responsiveness, materiality and completeness) were overall, well-reported. Most reports scored 50-75 percent, which demonstrates that companies are aware of these areas and, as the study team believes, it will only be a matter of time before companies truly grasp the understanding of transparency issues and in turn reflect these in their reporting.

'Performance' reporting cluster was the weakest area of reporting and included the reporting of economic, environmental, social, internal and suppliers management. The strongest area of conformance was economic data followed closely by internal management. This is understandable given that this information is both readily available and applicable to all organisations. With increased global awareness of issues such as climate change and social equality, it is essential that a company has a thorough understanding of its operational impact, both negative and positive, with the aim of improving its performance.

Figure 6-2 Reporting Clusters Performance

6.5 Review by Carol Adams

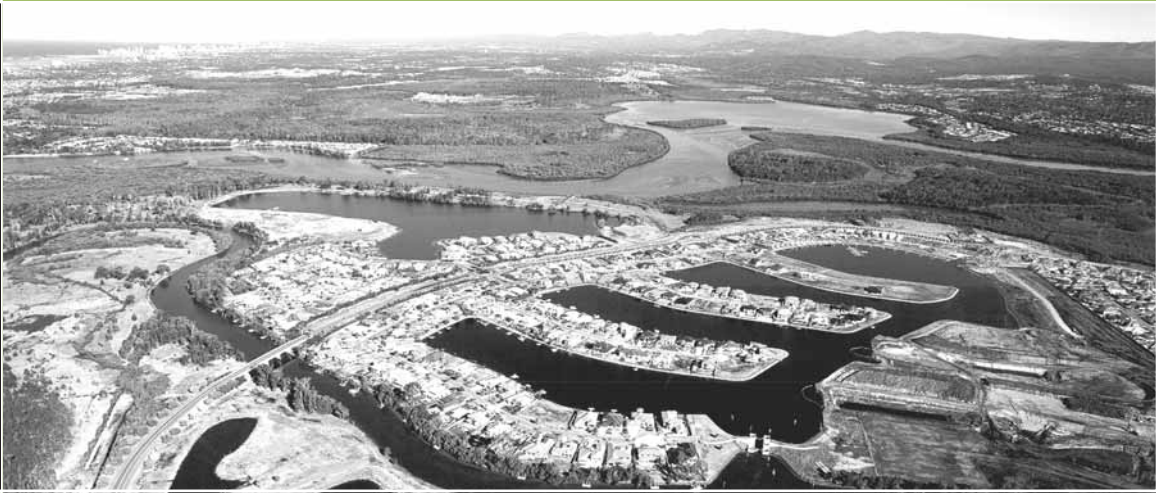
The scorecard and a few select participants' results were independently reviewed by Professor Carol Adams of La Trobe University. Professor Adams found that the scorecard was comprehensive in the issues it covers. Major issues identified by Professor Adams were summarised below:

- For some indicators achieving a higher score requires information “in addition to” the requirements at lower scoring levels. Some of the scores awarded indicate that the “in addition to” requirement is not being adhered to rigorously. Reports may present a detailed discussion with respect to programs addressing issues (higher scoring criteria), but not provide the basic data indicating current or trend activity/ performance (lower scoring criteria), resulting in inappropriate and inconsistent scoring.
- Where an indicator was deemed not applicable for a particular company the maximum total score is reduced by the maximum total score for that particular indicator. In many cases indicators have been identified as not applicable when there is not enough information in the report relating to that indicator, however there are likely to be indirect impacts. In cases where there is no information in the report it is very difficult to determine whether or not an indicator is relevant, as in the case of child and forced labour, as an example. The treatment and determination of inapplicable indicators could have an impact on the percentage score attributed to companies.

- The scorecard includes indicators relating to verification/assurance (8 points) and assessor's opinions (directly — 12 points). A number of verification/assurance processes were conducted by URS and in those cases URS is scoring its own work.

*Sustainability Reporting
is not just about a list
of measures you might
expect to see in an
accounting standard.
It's about reflecting an
organisation's culture.*

mecu



Sydney Water is committed to protecting the environment by conducting its operations in compliance with the principles of ecologically sustainable development.

Sydney Water



7. The Findings — Global Reporting Initiative GRI GR3

7.1 Performance of Participants

Overall the level of 'conformance' or 'exceed conformance' assessed against the DRAFT (G3) Principles was satisfactory with six of the ten principles receiving above 50% 'conformance' or 'exceeds conformance'. Table 7.1 below summarises the level of conformance for all study participants.

The best eight performing reports with respect to 'conformance' with GRI DRAFT G3 principles (in alphabetical order only) are listed below:

- BHP Billiton Limited.
- Hydro Tasmania.
- mecu Limited.
- Sydney Water Corporation.
- VicSuper Pty Ltd.
- Watercare Services Limited (NZ).
- Insurance Australia Group Limited.
- Landcom Corporation.

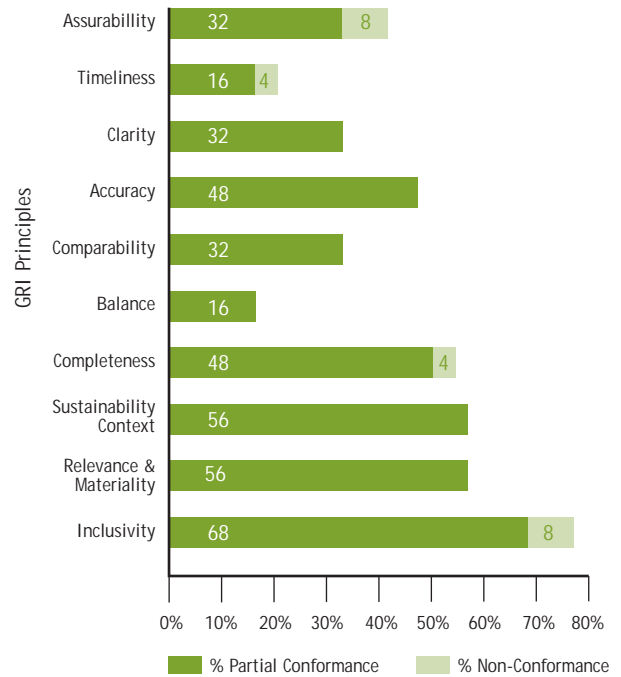
The above listed organisations conform to at least eight of the GRI G3 DRAFT Principles and demonstrate a clear understanding of the mission and purpose of the GRI. It is also noteworthy that this list is not exactly the same as the top ranking reports from the scoring process (Page 6-1).

It should also be noted that of the organisations not receiving an "Exceeds Conformance" or "Conformance", 11 organisations received a 'partial conformance' for five or more of the principles.

Figure 7-1 illustrates that some participants are struggling

to conform to the principles of inclusivity, assurability, timeliness and completeness. Notably however, the proportion of this non-conformance is on average 10% or less of the study group.

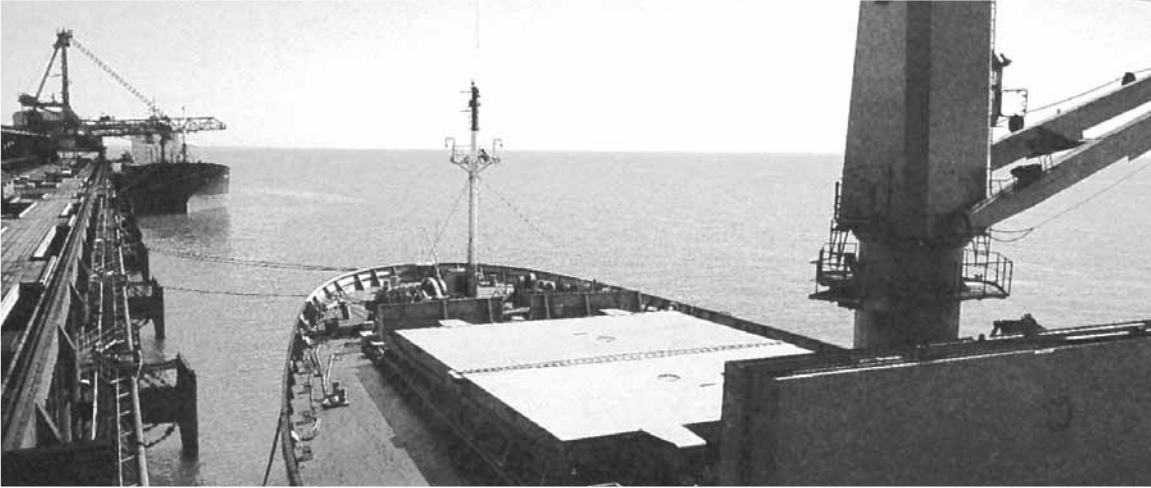
Figure 7-1 Partial Conformance and Non-Conformance to GRI Principles



As some sectors are only represented by one organisation in this 2005-2006 program, an industry-sector based analysis has not been performed as it would not be an accurate representation of sector-based performance.

Table 7-1 Level of GRI Principles Conformance

GRI (G3) PRINCIPLE	No. OF NON CONFORMANCE	No. OF PARTIAL CONFORMANCE	No. OF CONFORMANCE	No. OF EXCEEDS CONFORMANCE	% CONFORMANCE/ EXCEED CONFORMANCE (OUT OF 25 REPORTS)
Inclusivity	2	17	6	0	24
Relevance and Materiality	0	14	11	0	44
Sustainability Context	0	14	11	0	44
Completeness	1	12	11	1	48
Balance	0	4	21	0	84
Comparability	0	8	16	1	68
Accuracy	0	12	13	0	52
Clarity	0	8	17	0	68
Timeliness	1	4	14	6	80
Assurability	2	8	15	0	60



Managing organisations to improve social, economic and environmental outcomes is increasingly becoming the way business should be done. These challenges apply as much to the public sector as they do to our companies, with public agencies having much to learn from private sector initiatives in sustainability management and reporting.

Department of Environment and Heritage



8. The Findings of AA1000

An assessment of the report against the principles of the *AA1000 Assurance Standard* was undertaken to evaluate the capacity of the information communicated in the report to broadly meet the requirements of the standard. Organisations adopting any part of the AA1000 Series, including the AA1000 Assurance Standard, commit themselves to the practice of 'inclusivity', by which it is implied that the organisation is committed to:

- identify and understand its social, environmental and economic performance and impact, and the associated views of its stakeholders;
- consider and coherently respond (whether negatively or positively) to the aspirations and needs of its stakeholders in its policies and practices; and
- provide an account to its stakeholders for its decisions, actions and impacts.

The standard enhances the traditional data verification process by a more holistic assessment of the report and the reporting entity. This is often completed by incorporating testing of processes relating to stakeholder engagement; testing of the completeness in reporting; and a review of financial and stakeholder materiality issues. The results of which are stated in an independent assurance statement, which is then included with the organisation's published report.

More information on the AA1000 Assurance Standard is provided in Section 3.2 of this report.

8.1 Performance of Participants

Generally, a third of the study group conformed or exceeded the conformance for the AA1000 Assurance Standards Principles. (See Table 8-1).

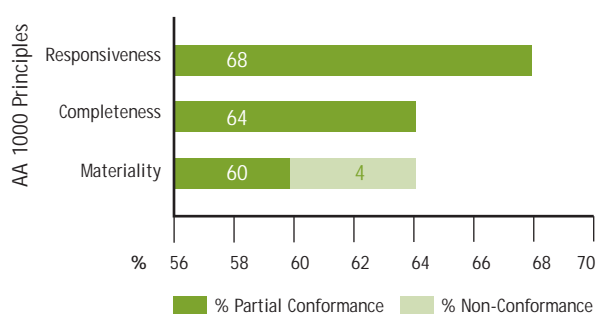
Out of all the reports conforming, only BHP Billiton Limited, Landcom Corporation and CitiPower Pty /Powercor Australia Ltd conformed to all three principles. BHP Billiton Limited was the only organisation to receive an "exceeds

conformance". Notably BHP Billiton Limited and Landcom Corporation were the only organisations to also conform to all three principles in the 2003-2004 Program. This was the first time CitiPower Pty/Powercor Australia Ltd had taken part in the benchmarking program.

The reports of City West Water Limited, Hydro Tasmania, mecu Limited, VicSuper Pty Ltd and Watercare Service Limited (NZ) each conform to two out of the three principles, and partially conform to the third. With 9 reports conforming or exceeding and 16 partially conforming, "Completeness" is the principle that organisations have most conformance.

Notably there is a high level of partial conformance across all principles (Figure 8 1). This is extremely encouraging as it illustrates the evolution of the reporting group. This notion is further emphasised by the extremely low level of non-conformance (only 4% for non-conformance to Materiality), which is a significant change from 2003-2004 results where non-conformance for the principles of Materiality, Inclusiveness and Responsiveness was 21%, 31% and 21% respectively.

Figure 8-1 Partial Conformance and Non-Conformance to the AA 1000 Principles



As some sectors are only represented by one organisation in this 2005-2006 program, an industry-sector based analysis has not been carried out as it would not be an accurate representation of sector-based performance.

Table 8-1 AA1000 Principle Conformance Levels

AA1000 PRINCIPLE	No. OF NON CONFORMANCE	No. OF PARTIAL CONFORMANCE	No. OF CONFORMANCE	No. OF EXCEEDS CONFORMANCE	% CONFORMANCE/ EXCEED CONFORMANCE (OUT OF 25 REPORTS)
Materiality	1	15	9	0	36
Completeness	0	16	8	1	36
Responsiveness	0	17	8	0	32

9

10



*The health and sustainability of our rivers,
lakes, wetlands, marine and ground waters face many
threats. As a community, we all have a role to play
in protecting the environment.*

Watercare Services



9. Encouraging Signs

This section of the report briefly discusses areas of notable improvement in public non-financial reporting over the past two years.

The study team noted the following encouraging signs:

- Adherence to the reporting principles has increased, indicating a greater level of understanding of the fundamental processes in sustainability reporting. This is likely a result of the maturity of the majority of the reports and reporting organisations. These organisations would accordingly be well-placed in transition to reporting against the new G3 reporting guidelines.
- The general standard of reporting has increased both compared to previous performance in benchmarking studies, as well as against international reporting benchmarks indicating that the region is continuing to show strong progress on sustainability reporting. Also noteworthy is the number of reporters continues to rise.
- The number of reports being independently assured has increased, following similar trends internationally.
- Reports are becoming more concise and focussed on adherence to the principle of 'Materiality', making them more reader-friendly and reducing 'carpet-bombing' (not presenting every detail of an organisation's performance in large and complex reports), which was an area of weakness noted in the 2003-2004 benchmarking study.
- Only very few organisations that have commenced reporting over the years have opted to stop reporting, which is an encouraging trend and one that indicates that organisations are seeing real benefit in reporting. The level of integration of sustainability reporting within other forms of organisational reports, such as annual reports, is increasing.

10. Areas for Improvement

This section of the report briefly discusses areas for improvement in public non-financial reporting over the coming years.

The key areas for future improvement are listed below:

- Organisations using the GRI have a two year transition window to move to G3. The study team endorses the G3 as a much-improved standard and accordingly notes that this transition is an immediate area of necessary focus.
- Increasingly reporting across other geographic areas where organisations operate is an area for improvement. Accordingly, better application of the boundary protocol of GRI is encouraged.
- Reporting by government sector needs to increase not only to show leadership, but also to be more accountable for impacts, which is in line with the recommendations from a recent parliamentary inquiry into reporting. The inquiry "*Managing risk and creating value (2006)*" suggested a need for public agencies to provide leadership in sustainability reporting.
- 'Inclusivity' was the weakest conforming principle suggesting that stakeholder engagement remains an area that needs to improve. Given G3's increased emphasis on stakeholder-based materiality, substantial improvement in this case over the coming years is emphasised.
- Independent assurance of reports, compared to other areas of reporting performance, remains weak despite an increased take-up, this is also as a consequence of the scope of assurance being limited in some instances.
- Whilst the benchmarking scorecard has made significant gains from its previous versions by allowing flexibility for issues and indicators to be omitted where irrelevant on a case by case basis. The study team recognises that there remain areas of weakness, such as the inflexibility of the scorecard, at times, to recognise and appropriately compensate for smaller and/or single-sited regional organisations in comparison to multi-sited multi-nationals. This has also been highlighted by Prof. Carol Adams, the independent reviewer.



In producing this Sustainability Report we hope we can share our successes and challenges in integrating sustainability into our business.

South Australia Water



11. Where to From Here

GRI Becoming the Norm

The GRI Guidelines as introduced in Section 3-1 have become commonly accepted for use in sustainability reporting by organisations globally. Of the 2000 sustainability reports issued during 2005 (www.corporateregister.com) it is estimated that 750 (from 53 Countries) used the GRI guidelines to varying degrees to formulate their report (GRI Activities Statement, 2005). This has increased an incredible 97% from the 2003 estimated usage in 380 reports (from 28 countries) – GRI Activities Statement, 2005. The current 2006 usage is estimated to be more than 1000 reports in over 60 countries.

The GRI is continually refining and improving its globally applicable framework. The framework currently presents reporting principles and specific content indicators to guide preparation of organisational level sustainability reports. Specific sector supplements are being developed in order to satisfy the demands of organisations that find some of the indicators in the guidelines irrelevant to their industry; and to ensure more sector specific guidance is developed.

The recently released G3 has been widely welcomed and endorsed and would further increase uptake of sustainability reporting.

Completeness

The completeness of reports is expected to become an issue of focus in the coming years. To achieve completeness, organisations would need to clearly define the boundaries of their report and any subsidiaries or joint ventures upon which they may or may not have control as well as their material impacts. Reasons for not covering particular sites, issues or supply/customer chain, and indirect impacts would need to be clearly articulated.

Corporate Governance and Reporting

Corporate governance continues to be a major corporate (non-financial) issue. The ASX Principles of Good Corporate Governance are now present in most companies' codes of conduct. Whilst not clearly understood by Boards, there are extensive links between good corporate governance and sustainability. Indeed, three of the 10 ASX 'principles', listed below, have strong links to sustainability reporting:

- Promote ethical and responsible decision-making.
- Make timely and balanced disclosure.
- Recognise the legitimate interest of stakeholders.

As one of the areas of high risk to any organisation and as it gains greater emphasis within the Australian management arena, focus on corporate governance and illustrating transparency on corporate governance will be one of the next key steps forward in achieving whole and robust sustainability reporting.

The Big Ticket Items - Not Hindsight

While the GRI guidelines are essential in creating a whole picture of an organisation's sustainability performance, there is a need to focus on the big sustainability issues relating to the organisation and sector market place. These issues are likely to be of high materiality to stakeholders and of high risk and sensitivity to the organisation and thus have previously been disclosed on an as needs basis. However as the push for transparency in corporate actions increases, disclosure of performance in these areas (positive or negative) is viewed as an element of a more open and trusting relationship with stakeholders, moving the focus towards initiatives for improvements. Examples of adequate reporting of Big Ticket Items includes disclosure on biodiversity and greenhouse by Forests NSW; disclosure of balancing urban development and biodiversity and delivering integrated water cycle management by Landcom Corporation; and disclosure of waste and energy consumption by WSN Environmental Solutions. Big Ticket items identified as being omitted in participants' reporting include product stewardship; supply chain; investment; and corruption and fair trade.

Bribery and Corruption

The Association of Chartered Certified Accountants (ACCA) UK recently reviewed reports by companies where bribery and corruption was likely to be of high importance because of their sector, size or the markets where they operate. The analysis reveals that extraction industries, where the risk is high for corruption, show the most attention to reporting these issues.

The review concluded that some progress had been made in the reporting of these issues particularly since the introduction of the UN Global Compact 10 - the Principle on corruption. However, most of the reporting on corruption focuses on corporate governance and risk to reputation, with consideration of the consequences of corruption and its subsequent damage to societies, environment and human rights.

The Centre for Australian Ethical Research (CAER) recently reviewed Bribery and Corruption within Australia (CAER, 2006). It was found that only 51% of the top 100 listed companies had policies in place to prohibit the giving and

receiving of kickbacks compared to 92% in the UK; 91% in Europe and 80% in the US. Transparency International (www.transparency.org) 2005 Corrupt Perceptions Index lists Australia as the ninth country least perceived to be corrupt, however the Australian Stock Exchange (ASX) does not currently suggest corruption as an issue for inclusion in business ethics codes. Since the Australian Wheat Board (AWB) inquiry, there has been a greater focus on bribery and corruption, thus becoming more prominent.

Increased Role of Verification and Assurance

Independent verification and assurance by a recognised independent professional assurance provider has become essential in guaranteeing transparency and completeness as well as internal and external assurance on reported content. The value of the assurance process depends upon the scope and depth of the assurance being sufficient to provide assurance to target stakeholders as well as the Board. The verification process also needs to be manageable and constructive within the time scale and resource limitations of the reporting process itself.

Surviving in the Carbon Economy

The climate change debate has increased immensely in the past few years, particularly in the past two years with the marked increase in severe weather-related phenomena raising the eyebrows of the media, the former non-believers, the public and shareholders.

Internationally, over 160 countries have ratified the Kyoto Protocol agreeing to legally binding targets to reduce and limit their greenhouse gas emissions (<http://unfccc.int>). Emissions trading schemes (one of the key instruments arising from the Kyoto Protocol) in reducing emissions, have established themselves as an emerging global market force, particularly since the establishment of the European Union Emissions Trading Scheme (Climate Institute, 2006). The Climate Institute's "Top Ten Tipping Points on Climate Change" states last year that the global carbon market was worth \$13.3 billion AUD with a predicted 2006 value of AUD \$33-40 billion.

In the United States, (a vocal key Kyoto opponent) various national, state, city leaders and corporate entities are ignoring the federal government's inflexible position on climate change and committing their jurisdiction or organisation to emission reducing targets, carbon trading and renewable energy development (Climate Institute, 2006). Climate change has become a strategic business driver in reductions in emissions globally.

Other current actions around carbon disclosure and reporting include the Carbon Disclosure Project (CDP). The CDP is the collaboration of the world's largest institutional investors on the business implications of climate change. The collaboration requests disclosure of information (via a questionnaire) on Greenhouse Gas emissions from select international companies. The questionnaire aims to determine how companies are managing the perceived and real commercial risks associated with climate change by requiring companies to report their greenhouse emissions data. The ASX100 and NZSE50 companies were all asked to disclose their exposure to climate change for the first time in 2006, in a collaborative project with the Investor Group on Climate Change (IGCC).

As well as the CDP, other movements in Australia include:

- Global Framework for Climate Risk Disclosure- a statement of investor expectations for corporate disclosure. (<http://www.ceres.org/pub/publication.php?pid=225>)
- state-based discussions on developing an emissions trading scheme and the establishment of Emissions Trading Taskforce; and
- EPA's own Greenhouse Gas emissions reporting and disclosure pilot. (http://www.epa.vic.gov.au/greenhouse/greenhouse_pilot/default.asp)

Given recent and heightened concerns regarding climate change the study team believes that reporting on greenhouse emissions, carbon foot print and carbon liability would be an increased areas of focus for stakeholders, particularly investors.



We are committed to making a difference by addressing our day-to-day operations, having a broader focus on the activities we finance, and working with others to contribute to improve societal outcomes.

ANZ



12. Links and Useful References

- Australian Government: Department of Environment and Heritage (2005), *The State of Sustainability Reporting in Australia in 2005*, Commonwealth of Australia.
- Centre for Australian Ethical Research (2006), *Just how business is done? A review of Australian business approach to bribery and corruption*.
- CERES (2006), Global Framework for Climate Risk Disclosure, (<http://www.ceres.org/pub/publication.php?pid=225>)
- Context (2005), *Global Corporate Responsibility Reporting Trends: Reporting in Context*, (<http://econtext.co.uk>)
- Corporate Register (2006), (www.corporateregister.com)
- CPA Australia (2005), *Sustainability Reporting Practises, Performance and Potential*, (<http://www.cpaonline.com.au>)
- Department of Economic and Social Affairs, Division of Sustainable Development, United Nations (2006), *Trends in Sustainable Development*, United Nations New York.
- Environmental Protection Authority (2006), Greenhouse Gas emissions reporting and disclosure pilot, (http://www.epa.vic.gov.au/greenhouse/greenhouse_pilot/default.asp)
- Investor Group On Climate Change (2006), Carbon Disclosure Report 2006: Australia and New Zealand, www.igcc.org.au/prodimages/cdp%20australia%20new%20zealand%20report%20final.pdf
- KPMG (2005), *International Survey of Corporate Responsibility Reporting*, (www.kpmg.com)
- Johannesburg Stock Exchange (2006) *Socially Responsible Investment Index*, (www.jse.co.za/sri)
- *Global Reporting Initiative* (2006), Annual Review of Activities 2005
- Global Reporting Initiative (2006a), *Sustainability Reporting Guidelines (Draft) G3 Version for Public Comment* (2 January 2006-31st March 2006), United Nations Environment Program.
- Global Reporting Initiative (2006b), *Everything you need to know about the DRAFT G3 Guidelines - past, present and future*, United Nations Environment Program.
- Loew, T.& Clausen, J. (2006) *G3: Improved, but still improvable. Suggestions to the G3-Guidelines derived from a comparison with the German Ranking of Sustainability reports*, Institute 4 Sustainability, (www.4sustainability.org).
- Parliamentary Joint Committee on Corporations and Financial Services (2006), Corporate responsibility: Managing risk and creating value, Commonwealth of Australia. (http://www.aph.gov.au/senate/committee/corporations_ctte/corporate_responsibility/report/index.htm)
- SMEC and CIRIS (2002), *Sustainability and Environmental Reporters Benchmarking Program 2001/2002*
- SMEC (2000), *Public Environmental Reporting - Have we improved?*
- SMEC (1998), *Public Environmental Reporting – Where does Australia stand?*
- Stratos (2005), *Gaining Momentum Corporate Sustainability Reporting in Canada*, (<http://www.stratos-sts.com>)
- SustainAbility (2004), *Risk and Opportunity : Best Practise in Non-Financial Reporting*, (<http://www.sustainability.com>)
- The Association of Chartered Certified Accountants (2006), *Report of the Judges - ACCA UK Awards for Sustainability Reporting 2005*.
- The Climate Institute of Australia (2006), *Top Ten Tipping Points on Climate Change - An Analysis of How the Fundamental Trends of Climate Change Have Shifted and Why Australia is Adrift*, 2006, (www.climateinstitute.org.au)
- United Nations Framework Convention on Climate Change (2006), *Kyoto Protocol*, (<http://unfccc.int/kyoyo-protocol>)
- URS (2004), *Sustainability Reporters Benchmarking Program (2003-2004)*



We see renewable energy development as part of the solution to reduce reliance on fossil fuels and the impacts of global warming and are proud to be Australia's largest generator of electricity from renewable energy sources.

Hydro Tasmania



13. Limitations

URS Australia Pty Ltd (URS) has prepared this report in accordance with the usual care and thoroughness of the consulting profession for the involvement of participants as listed in Section 4 of this report and only those third parties who have been authorised in writing by URS to rely on the report. It is based on generally accepted practices and standards at the time it was prepared. No other warranty, expressed or implied, is made as to the professional advice included in this report. It is prepared in accordance with the scope of work and for the purpose outlined in the invitation to participate dated 2006.

The methodology adopted and sources of information used by URS are outlined in this report. URS has made no independent verification of this information beyond the agreed scope of works and URS assumes no responsibility for any inaccuracies or omissions. No indications were found during our investigations that information contained in this report as provided to URS was false.

This report was prepared between October 2006 to February 2007 and is based on the conditions encountered and information reviewed at the time of preparation. URS disclaims responsibility for any changes that may have occurred after this time.

This report should be read in full. No responsibility is accepted for use of any part of this report in any other context or for any other purpose or by third parties. This report does not purport to give legal advice. Legal advice can only be given by qualified legal practitioners.

*Our goal is to increase trade
while meeting our
responsibilities to
our employees, the environment
and the community.*

Port of Brisbane Corporation

Appendices

We consider that our operations are sustainable where they are socially responsible, environmentally sound and economically viable.

We pursue sustainability within our operations by striving to make them socially responsible, environmentally aware and economically viable.

By living our values and operating sustainably, we will continue to 'build the best' and earn the right to serve our customers tomorrow and into the future.

Wesfarmers



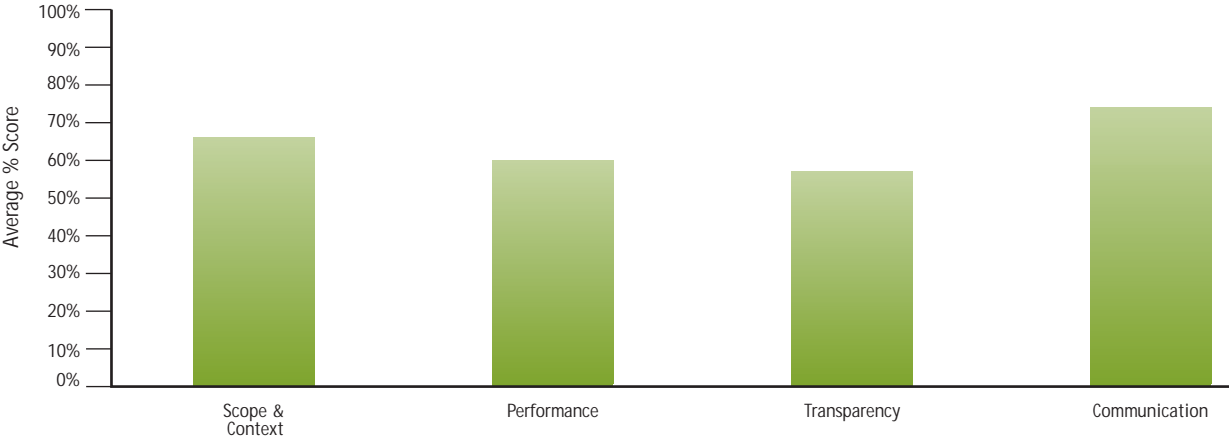
Appendix A — Sustainability Scorecard

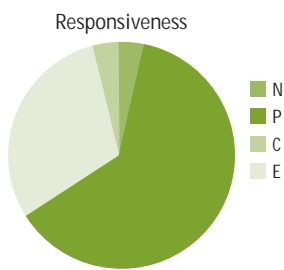
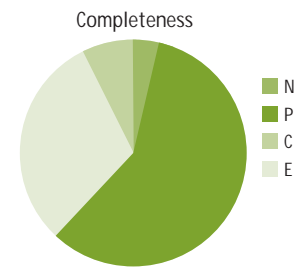
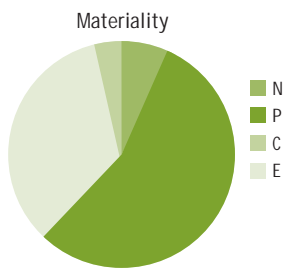
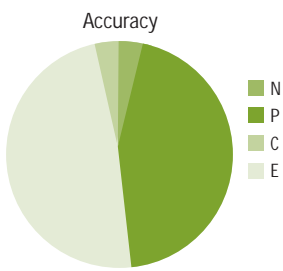
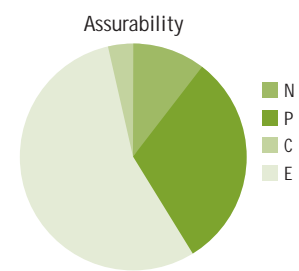
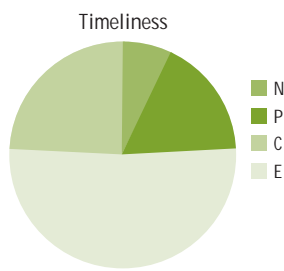
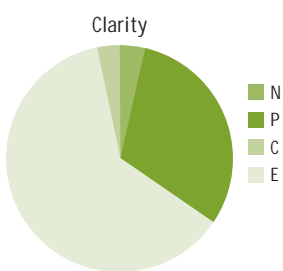
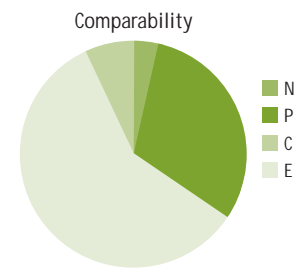
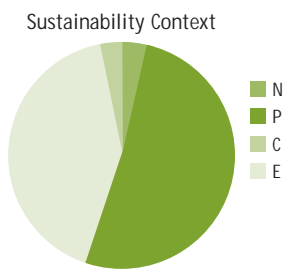
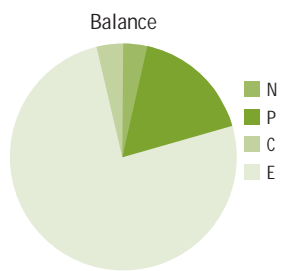
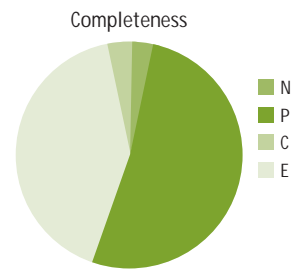
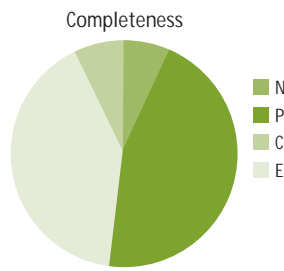
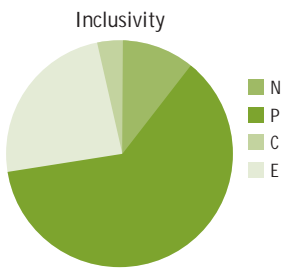
INDICATORS	ActWA/AGL	ANZ	BHP Billiton	City of Melbourne	City of West Water	DEH	DEH S.A.	Anonymous 1	Hydro Tasmania	IAG	ICLEI	KB TAFE	Anonymous 2	Landcom	MECU	Melbourne Water	Murray Irrigation	Port of Brisbane	CitiPower/Powercor	S.A. Water	State Forests	Sydney Water	VicSuper	Watercare	Westfarmers	WSN Environmental
	1 Scope and Context																									
Sustainability Vision and Direction	2	3	3	3	4	2	2	2	3	3	4	3	3	4	3	4	3	1	3	3	3	4	4	3	3	4
Management Statement	2	2	2	2	2	1	1	1	2	2	2	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2
External Profile of the Reporting	2	3	3	3	3	3	3	2	3	3	2	2	3	3	3	3	2	3	2	2	2	3	3	3	3	2
Internal Profile of the Reporting Organisation	2	2	2	2	2	2	1	2	2	2	1	1	1	2	2	1	1	2	2	2	2	2	1	2	2	1
Report Scope	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	3	3	2	3	3	4	3	3	2
Report Profile and importance Within the Organisation	1	1	2	1	2	1	1	1	1	2	1	1	1	2	1	1	1	1	2	1	1	2	2	2	2	2
Feedback Mechanisms	0	1	2	1	2	1	1	1	2	2	2	1	2	2	2	1	2	1	2	1	1	1	1	1	2	1
GRI Content Index and/or XLBR language used	1	0	2	2	2	2	1	2	1	1	0	0	0	2	1	0	2	0	2	1	1	2	2	1	0	1
Governance Structure of the Organisation	2	3	2	2	2	2	2	1	3	3	1	2	3	2	3	3	2	3	2	2	2	3	2	2	3	2
Internal Processes	1	2	2	2	2	2	2	1	3	2	1	2	1	2	2	2	1	3	2	2	2	2	3	2	2	2
External Processes	1	2	2	2	2	1	2	2	2	2	1	1	1	2	2	2	2	3	2	2	2	2	2	2	2	2
Precautionary Approach	1	0	1	0	1	1	2	0	1	0	1	0	0	0	0	0	0	1	1	0	0	1	0	0	0	0
Overarching Policies and Systems	3	3	3	3	3	3	3	2	3	3	2	3	2	2	3	2	2	3	3	3	3	3	3	3	2	3
Industry Codes, Practices, and Policies	1	2	2	2	2	2	1	2	2	1	2	1	2	2	2	2	2	1	3	2	2	2	2	2	2	2
Management Systems	2	1	2	0	2	1	1	1	2	2	1	1	1	2	1	1	1	2	1	2	2	2	1	2	2	1
Totals (section 1)	24	28	33	28	33	28	26	22	33	31	24	22	25	32	30	27	26	28	33	27	29	34	32	31	29	28
2 Performance																										
Economic																										
Customers and Suppliers (EC01)	2	2	2	3	2	3	2	2	3	2	2	1	1	3	3	3	2	1	2	1	2	3	3	2	3	2
Earnings (EC02)	2	2	2	2	2	0	0	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1	2	2	2
Employees (EC03)	2	2	0	2	2	2	2	2	2	0	2	2	1	2	2	2	1	2	2	2	2	2	2	2	2	2
Capital Provision (EC04)	2	2	1	2	2	0	0	0	2	1	2	2	2	2	2	2	1	2	2	2	2	2	1	2	2	2
Community Infrastructure (EC05)	1	1	2	2	2	1	0	3	2	2	2	2	2	2	1	2	2	2	2	2	1	3	1	2	2	2
Environmental																										
Materials Use	1	3	3	1	3	3	3	3	1	2	2	3	1	2	3	3	3	1	2	3	3	3	3	2	1	3
Energy Use (ENV2)	3	3	3	3	2	3	3	3	3	4	3	2	2	3	3	3	3	1	3	3	3	3	3	2	3	4

INDICATORS	ActWA/AGL																Watershed Environmental									
	ANZ	BHP Billiton	City of Melbourne	City of West Water	DEH	DEH S.A.	Anonymous 1	Hydro Tasmania	IAG	ICLEI	KB TAFE	Anonymous 2	Landcom	MECU	Melbourne Water	Murray Irrigation		Port of Brisbane	CitiPower/Powercor	S.A. Water	State Forests	Sydney Water	VicSuper	Watercare	Westfarmers	
Advertising and Marketing (SPS3)	0	0	0	0	0	0	0	0	0	0	0	0	1	2	0	0	0	0	0	1	1	0	2	0	0	
Privacy (SPS4)	0	1	0	1	0	0	1	0	0	1	0	0	1	1	0	1	0	1	1	1	1	1	1	0	1	
Product Safety (SPS5)	1	0	1	1	1	0	0	0	0	0	0	0	0	0	2	1	0	1	2	1	2	1	2	0	1	
Totals (section2)	64	61	74	59	59	48	49	61	51	61	46	59	54	59	63	55	56	62	66	66	54	67	56	62	65	
3 Transparency																										
Verification/Assurance																										
Independent Statement	2	2	3	0	3	2	0	2	3	2	3	0	3	3	3	0	0	3	3	3	3	3	3	3	3	2
Verification/ Assurance Provider	0	2	2	0	2	2	0	2	2	2	0	0	2	2	2	0	0	2	2	2	2	2	2	2	2	2
Scope of Verification/Assurance	1	2	3	0	2	2	0	1	3	2	3	0	3	2	3	0	0	2	2	1	2	3	2	3	2	3
Stakeholders																										
Relevant Stakeholders	2	2	3	3	3	2	2	2	3	3	1	1	2	2	3	3	1	3	1	2	2	2	3	2	2	3
Engagement	2	2	3	2	2	2	1	2	3	3	2	1	3	2	3	3	2	2	1	2	2	2	3	2	2	3
Regional and Global Setting	1	1	2	1	1	1	1	1	2	1	1	1	1	1	1	2	2	2	1	1	1	1	1	1	1	1
Materiality																										
In the assessors opinion, how well has the Report included information about its sustainability performance.	2	2	3	2	3	2	1	2	3	3	2	1	2	3	2	3	3	2	3	2	3	2	3	2	3	2
Completeness																										
In the assessors opinion, how well has the Report responded to the concerns of the organisations stakeholders and has adequately communicated these the the Report.	2	2	3	2	3	3	2	2	3	2	3	2	1	3	3	2	2	2	3	2	3	2	3	3	3	2
Responsiveness																										
In the assessors opinion, how well has the Report responded to the concerns of the organisations stakeholders and has adequately communicated these in the Report.	2	2	3	2	3	3	2	2	2	3	2	2	1	3	3	2	2	2	2	1	2	2	2	2	2	3
Totals (section3)	14	17	25	12	22	20	10	15	21	22	9	7	23	20	22	15	12	20	15	19	20	21	21	21	17	22

INDICATORS	ActewAGL	ANZ	BHP Billiton	City of Melbourne	City of West Water	DEH	DEH S.A.	Anonymous 1	Hydro Tasmania	IAG	ICLEI	KB TAFE	Anonymous 2	Landcom	MECU	Melbourne Water	Murray Irrigation	Port of Brisbane	CitiPower/Powercor	S.A. Water	State Forests	Sydney Water	VicSuper	Watercare	Westfarmers	WSN Environmental	
	4 Communication																										
Overall Presentation																											
Size of the Report	2	2	1	1	1	2	1	2	2	2	2	2	2	2	2	2	1	2	2	2	2	2	2	2	2	2	2
Colour, graphs, illustrations and photographs	1	2	2	2	1	1	1	1	2	1	1	2	1	1	1	1	1	2	2	2	1	1	1	1	2	1	2
Ease of navigation	2	2	1	1	2	1	1	1	2	1	1	2	2	2	1	1	1	2	2	2	2	1	2	2	2	2	2
Availability and Accessibility																											
Style and Language	1	2	2	2	2	1	1	1	2	2	1	2	2	2	2	1	2	2	2	2	1	1	2	2	2	2	2
Availability of the Report	3	4	3	3	3	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	3	3	3	3	4	4
Additional Information	1	1	2	2	2	2	2	1	1	2	1	1	1	2	1	2	1	1	1	1	1	2	2	2	1	2	1
Printing	2	2	2	0	2	2	1	2	1	2	2	2	0	2	1	1	0	1	1	1	1	1	2	2	1	2	2
Overall Perception of Report Usefulness																											
Readability	1	2	1	2	2	1	1	1	2	1	1	2	1	2	1	1	1	2	2	2	1	1	2	1	2	2	2
Accurate representation and believability	1	2	2	1	2	1	1	1	2	2	2	2	1	2	2	2	2	1	2	2	1	2	2	2	2	1	2
Totals (section4)	14	19	16	14	17	13	12	13	17	16	14	18	13	18	14	14	11	17	17	12	14	18	17	17	18	19	
Totals (Overall)																											
	116	125	148	113	131	120	96	99	132	120	121	95	104	127	123	126	107	113	132	120	116	139	126	131	129	135	

Appendix B — GRI and AA1000 Principles Conformance all Results





Legend

- N Non-Conformance
- P Partial Conformance
- C Conformance
- E Exceeds Conformance

Terms and Abbreviations

AA 1000 AS	AA1000 Assurance Standard
ACCA	Association of Chartered Certified Accountants
ASX	Australian Stock Exchange
AWB	Australian Wheat Board
CAER	Centre of Australian Ethical Research
DEH	Department of Environment and Heritage
EPA	Environmental Protection Agency
GRI	Global Reporting Initiative
SRI	Socially Responsible Investment
UNCED	United Nations Conference on Environment and Development
UNEP	United Nations Environment Program

URS

© URS Australia Pty Limited

Level 6, 1 Southbank Boulevard, Southbank, VIC, 3006
Telephone: +61 3 8699 7500 • Facsimile: +61 3 8699 7550



This sustainability report has been printed on Tudor RP, a 100% recycled Australian made paper and by doing so has supported Landcare in the revegetation of landfill sites.



URS