



ACCA AUSTRALIA & NEW ZEALAND
AWARDS FOR SUSTAINABILITY REPORTING 2003



Report of the judges

Introduction

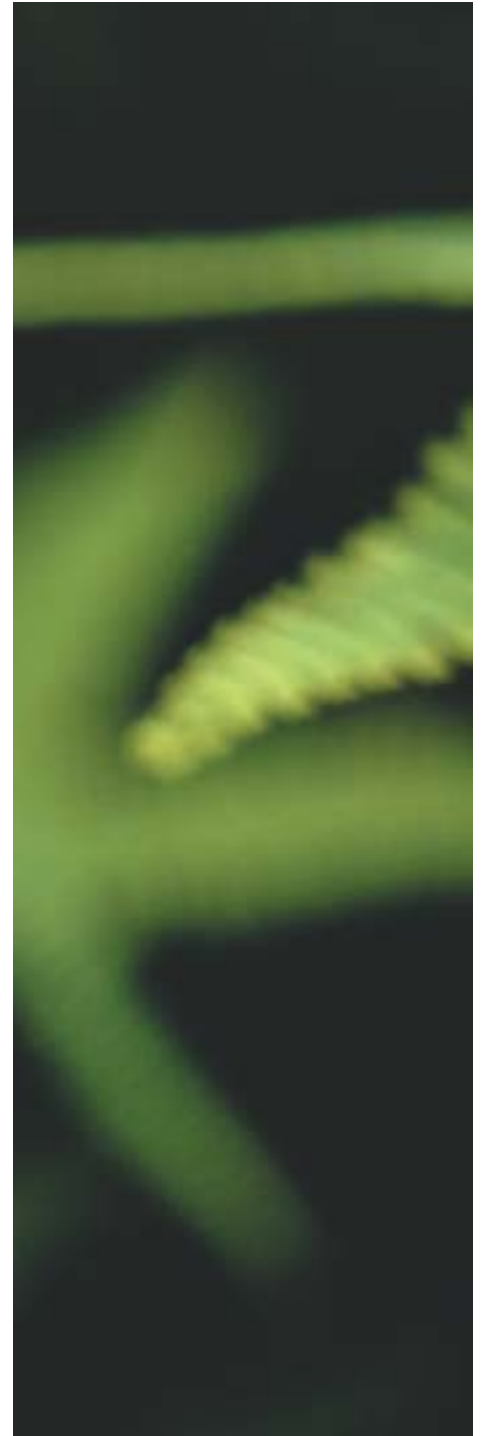
ACCA is delighted to congratulate the winners of the Australia and New Zealand Awards for Sustainability Reporting 2003. We appreciate how much effort goes into producing a sustainability, environmental or social report and would also like to commend not only those who have won awards, but also every organisation that took the time to prepare a report and enter our awards.

Much has changed since ACCA first started researching and building technical knowledge around sustainability reporting in the early 1990s. Where once sustainability reporting sat on the fringes of commerce, it is now increasingly regarded as a mainstream business necessity. Indeed, there is widespread acknowledgement that organisations that produce sustainability information have a more thorough grasp of the health of their operations and can reduce and manage the risks facing them.

Now in their second year, in 2003 many of the top Australasian organisations reporting sustainability information entered the ACCA Australia and New Zealand Awards for Sustainability Reporting. This is an outstanding achievement. Anecdotal evidence suggests there are several more organisations on the verge of producing reports, and we look forward to these new reporters entering the awards next year.

Judges were also pleased to note a 18% increase in the number of entries received this year: 33 organisations entered the awards this year compared to 28 last year.

The utilities sector, largely comprising water and energy authorities, was the most well represented industry in the awards, with 41% of all entries received from this sector. The government and mining sectors were the next best represented industries, each comprising 12% of all entries received. Judges are hopeful that next year will see an increase in entries from a range of other industry sectors. In particular, it would be encouraging to receive more entries from the manufacturing, agribusiness, retail and fast moving consumer goods (FMCG) sectors.



Entrants

Alcoa in Australia
www.alcoa.com.au

Argyle Diamonds
www.argylediamonds.com.au

Australian Ethical Investment
www.austethical.com.au

BHP Billiton
www.bhpbilliton.com

Brisbane Water
www.brisbane.qld.gov.au/business/council_businesses/brisbane_water

British American Tobacco
www.bata.com.au

Cement Industry Federation
www.cement.org.au

City West Water
www.citywestwater.com.au

Department of Defence
www.defence.gov.au

FACS
www.facs.gov.au

Gosford City Council
www.gosford.nsw.gov.au

Hunter Water
www.hunterwater.com.au

Integral Energy
www.integral.com.au

Meridian Energy
www.meridianenergy.com.au

Metro Water
www.metrowater.co.nz

Murray Irrigation Limited
www.murrayirrigation.com.au

Murrumbidgee Irrigation
www.mirrigation.com.au

NIWA
www.niwa.com.au

Port Brisbane Corporation
www.portbris.com.au

Rio Tinto
www.riotinto.com.au

Solid Energy
www.coalnz.com

State Forests of NSW
www.forest.nsw.gov.au

Sydney Water
www.sydneywater.com.au

Tarong Energy
www.tarongenergy.com.au

Telecom NZ
www.telecom.co.nz

THIESS
www.thiess.com.au

Toyota Australia
www.toyota.com.au

Visy Industries
www.visy.com.au

Watercare
www.watercare.co.nz

Wesfarmers
www.wesfarmers.com.au

Westpac
www.westpac.com.au

WMC Resources
www.wmc.com

Yarra Valley Water
www.yvw.com.au

Judging

PANEL OF JUDGES

Professor Carol Adams

Head of school

School of Accounting, Economics
& Finance

Deakin University

Professor Craig Deegan

Director of research

RMIT Business Accounting & Law

Terence Jeyaretnam

Principal

URS (Australia) Pty Ltd

Lyn Mayes

Communication consultant and
acting operations manager

New Zealand Business Council for
Sustainable Development

Gabrielle McCorkell

Strategic advisor

Environment Protection Authority
Victoria

Glennys Purcell

Director

Secretariat to the Prime Minister's
Community Business Partnership
Australian Department of Family
and Community Services

CRITERIA

Judges assessed the applications based on three key elements: completeness, credibility and communication. Entries were judged on the report itself, not on organisations' actual sustainability performance. More information about the criteria can be found at www.accaglobal.com/sustainability.

Completeness 40%

Overall corporate context

Consideration and explanation of key business impacts

Policy and management commitment

Targets and objectives

Supplier procurement policies and issues

Scope of report (by entity)

Report audience identified

Credibility 35%

Internal audit processes

Compliance/non-compliance record

Relevant impact data

ISO accreditation and use of GRI

Third party statement

Communication 25%

Layout and appearance

Readability, accessibility and appropriate length

Availability of summary report and/or executive summary

Reference to web site and links

Appropriateness of graphs, illustrations and photos

Integration with financial statements

Winners

BEST SUSTAINABILITY REPORTING – JOINT WINNER

City West Water

Today for Tomorrow – Sustainability Report 2003

Successfully communicates strategies and policies underlying sustainability efforts

Clearly identifies the authority's stakeholders and outlines consultation processes undertaken

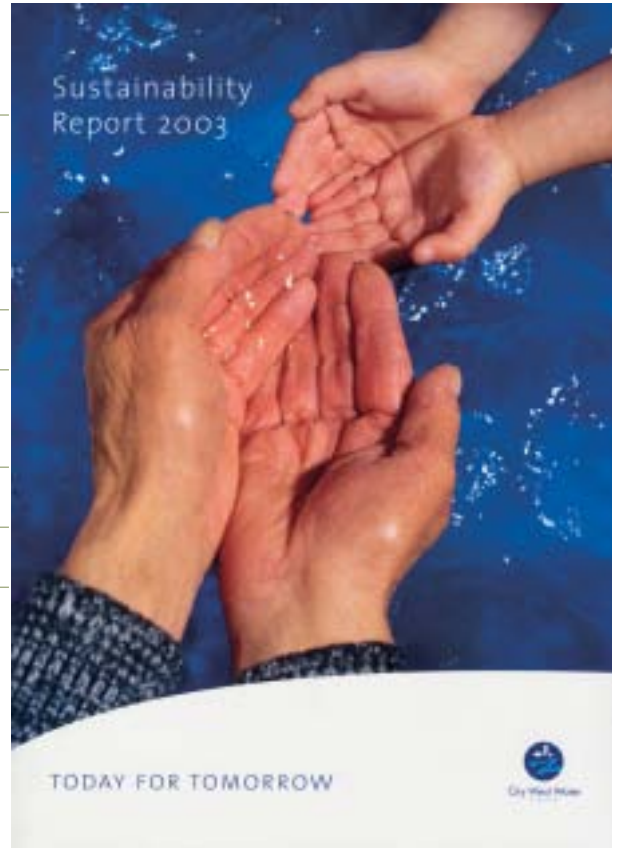
Embraces the Global Reporting Initiative (GRI) framework

Addresses economic, environmental and social aspects of its operations

Externally verified

Includes its ecological footprint

Has demonstrated increasing improvement and transparency over the three years it has produced a report



BEST SUSTAINABILITY REPORTING – JOINT WINNER

Sydney Water

Sydney Water Annual Report 2003

Clearly communicates stakeholder engagement process

Incorporates sustainability reporting within its annual report, highlighting the extent of integration within core business

Supported by extensive environmental, financial and social reports

Externally verified

Innovative coverage of social issues, including extensive stakeholder research

Open about responsibilities of the senior management team

Easy to read



BEST SUSTAINABILITY REPORTING – JOINT WINNER

Watercare

Futureproof – Watercare Annual Report 2003

Well set out, with clear description of contents and sustainability scorecard, including major achievements

Clearly identifies the entity, its purpose, operations and governance structures, including profiles of board members

Sets out objectives and targets, and states performance against these targets

Combines annual financial and sustainability reporting

Neutrally presents positive and negative information



BEST ENVIRONMENTAL REPORTING

BHP Billiton

Health Safety Environment and Community Report 2003

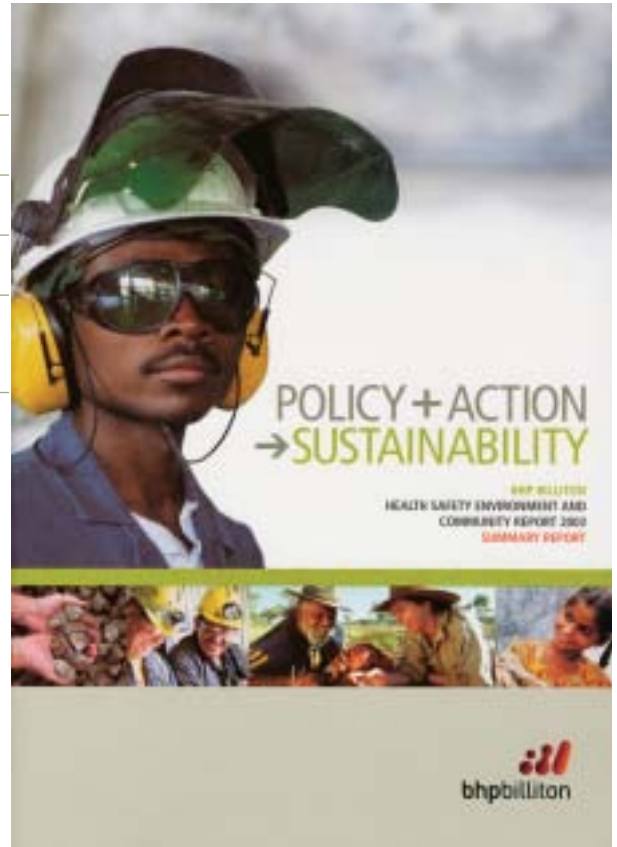
Provides a detailed overview of governance systems in place

Addresses product stewardship issues

Embraces GRI

Reports stakeholder engagement processes and investment in the local community

Structure and layout easy to read



COMMENDATION FOR SUSTAINABILITY REPORTING

Australian Ethical Investment

Sustainability Report 2003

Is an impressive report for a company with under 40 employees

Articulates good progression against targets such as donations, paper use, energy use and recycling

Shows high-level commitment to meeting its sustainability objectives and discloses its sustainability charter

Demonstrates the extent of integration of sustainability with corporate governance

Balances economic, environmental and social impacts of its operations

Is an excellent example of SME sustainability reporting for all readers and preparers to learn from



Judges' recommendations

The following areas are perceived by the panel of judges to be areas where greater emphasis is required in sustainability, social and environmental reports.

THREE BIG ISSUES

1. Most reports avoid tackling the biggest sustainability issues, such as dependence of fossil fuel, health impacts (cost to community) of products and the destruction of ecosystems through forestry or materials extraction. These are referred to as 'elephants in the boardroom', where the obvious and fundamental facts of a company's sustainability impact are either ignored or painted out of the reporting picture.
2. Reporters are getting better at disclosing data – but disclosure is not enough. The significance of technical, numeric and scientific information included in the report – in narrative or graphical format – needs to be interpreted for a lay audience. The identification

of social and environmental KPIs is also expected.

3. Almost every report needed to include more credible information about executive remuneration and performance hurdles.

CONCENTRATE ON QUALITY

This year, the better sustainability reports that entered the awards clearly identified, communicated and addressed the key social, environmental and economic issues impacting the sustainability of their organisation and their industry sector.

Although an increase in the number of entrants this year was a positive sign, the judges noted there was not a more marked improvement in the quality of reports entered compared to last year's entries.

In particular, the judges felt that the quality of social and economic information presented required significant improvement. Judges felt the quality of social reports and the social information included in

sustainability reports did improve marginally, although much work still needs to be done.

At a very basic level, some of the reports did not grasp the fundamentals of sustainability reporting: recognition of an organisation's environmental, social and economic impacts; verified data, including benchmarks and targets for reducing negative impacts; and communication of actions being taken to address impacts. In saying that, it is worth acknowledging that the development of sustainability reporting is still at a nascent stage in Australia and New Zealand and the quality of reporting should improve as organisations become more familiar with the concept.

INCORPORATE SECTOR BENCHMARKS

Comparing data between organisations within the same industry sector provides a better and more relevant comparison of performance. This same-sector

organisation comparison within reports should be encouraged to provide readers with industry benchmarks of performance. The GRI is particularly useful as an emerging benchmark system and provides indicators for inter-company comparisons.

INCREASE STAKEHOLDER INVOLVEMENT AND DISCLOSURES

Stakeholder identification and involvement is particularly weak. Reporters should keep in mind that an environmental, social or sustainability report should:

- Disclose who the key stakeholders are and explain how these stakeholders are identified
- Identify which stakeholder groups the report is targeted to
- Include and involve stakeholders throughout the reporting process
- Describe the dialogue process and disclose it in the report
- Explain how stakeholder feedback was used

- Give details how this has changed the reporting process and internal management procedures, and disclose the 'weighting' different stakeholder groups have to facilitate change

IMPROVE SOCIAL REPORTING

The social element within sustainability reports could be improved. Many reports lacked information on issues such as workforce diversity, health, safety and well-being and staff satisfaction. External social information, such as data covering local community and wider society issues was also found to be limited.

Further, the impact of individual products on individual health and wellbeing, as well as on the environment is not always identified and addressed by reporters. Reporters should not focus solely on important but peripheral activities (such as donations to 'good causes'), at the expense of exploring how their core business activities contribute to sustainable development.

INCREASE QUALITY OF EXTERNAL ASSURANCE

The assurance process is key to ensuring the credibility of a report, both to its internal and external stakeholders. The judges agreed that assurance of reports lacked innovation, too often being limited to a simple tick the box exercise. Reporters gain more benefit when the assurance process stands back and addresses the question 'are we doing the right things?' and not just 'are we doing things right?'. Using the assurance process as a tool to improve a company's social performance is also encouraged.

Pleasingly, judges note the use of AA1000as for assuring sustainability reports is increasing. The increasing use of this standard to holistically assess the performance of organisations is commendable.

Nevertheless, a number of reports identify neither the reporting framework against which the reports were assessed, nor standards used to govern the work

of the assurance statement provider. Conclusions included in some reports were also ambiguous.

DISCLOSE WIDER ECONOMIC – NOT JUST FINANCIAL – INDICATORS

The vast majority of reports failed to demonstrate an understanding of the difference between reporting short term financial data and reporting economic data. Financial business information, such as revenue, turnover and profit, are all examples of economic indicators. But these are only short term indicators and are not the only economic indicators that should be disclosed. It is important to remember that reporting a profit figure is not the same as addressing economic performance.

Economic indicators embrace the wider impacts of an organisation – not just the financial ones. They include:

- Key markets by turnover
- Market share in key markets
- Total remuneration to employees

- Contribution to local and regional economies such as employment generation
- Payments to government through taxes
- Contributions to local infrastructure

COMMUNICATION AND STYLE

The best reports presented social, environmental and economic data in equal balance through case studies, summary charts and images. Judges urge reporters to give thought to the material used to print and present their reports and reference their sources.

THE FUTURE OF SUSTAINABILITY REPORTING

Judges felt that further incentives need to be provided to organisations that produce sustainability information. Increasingly, the community is seeking information about the organisations that operate within it and entities need to be proactive in responding to these demands. Organisations that don't do this risk being negatively

targeted by their stakeholders, the market and shareholders.

ACCA believes it, along with other institutions including governments, the media and activist groups, have a responsibility to encourage organisations to become truly accountable and transparent through reporting sustainability information.

This awards program is testament to the acknowledgement of this responsibility, recognising that organisations should be rewarded for producing sustainability information that is useful for stakeholders.

Additional highlights of good reporting practice

WATER COMPANIES

The judging panel felt that sustainability reports produced by the water sector were the most sophisticated of all of the entries received for the 2003 awards and therefore decided to jointly confer City West Water, Sydney Water and Watercare with the Best Sustainability Reporting Award.

The water sector's leading edge in sustainability reporting can be in large part attributed to the highly regulated nature of the industry and therefore its need to produce quality data. The fundamental requirement for human civilisation for a sustainable water supply and Australia's naturally arid climate are other reasons for the water industry's ability to produce more complete and meaningful sustainability reports compared to other sectors.

In the sustainability category, judges also wanted to make special mention of Brisbane Water, which produced a strong report for a first time reporter.

TOYOTA AUSTRALIA

Judges felt that the Toyota Australia report should be commended for being able to report performance within a short document, and for expanding its reporting from last year to include community information.

TARONG ENERGY

Tarong Energy should be mentioned for its ability to produce meaningful sustainability data relative to its small size.

BRITISH AMERICAN TOBACCO (AUSTRALIA)

This report was the most developed of all the entries in the social reporting category. The judges would like to see the stakeholder engagement programme develop to address the conflicting views of key groups which undoubtedly occur in such a controversial sector.

WESTPAC

Westpac should be recognised for its social report, particularly as it is the only entity in the financial services sector reporting sustainability information.

THE AUSTRALIAN DEPARTMENT OF FAMILY AND COMMUNITY SERVICES (FACS)

FaCS should be commended for showing leadership by being the first federal government department to prepare a triple bottom line report. This report was praised by judges for its ability to identify and make commitments about addressing challenges it faces.

GRI update

The Financial Services Reform Act 2001 now requires financial product issuers to disclose the extent to which labour standards and environmental, social and ethical considerations are taken into account in investment decisions. In order to assist compliance with this new legislative requirement, the Australian Securities and Investments Commission (ASIC) has released Disclosure Guidelines for Product Disclosure Statements (PDS).

The ASIC guidelines refer to the sustainability reporting framework of the GRI as one of the key international documents setting out labour standards and environmental, social and ethical considerations which investment funds are seeking to assess and measure. The additional value of the GRI framework to financial institutions is that it provides globally standardised guidelines for sustainability reporting allowing comparability within and across industry sectors.

The value of the GRI framework to the rapidly growing socially

responsible investment (SRI) industry has been highlighted in the 2003 SRI annual report from Henderson Global Investors. "Overall we view the GRI as setting the global benchmark for disclosure and encourage all companies to produce reports which are in accordance with the GRI Guidelines." A recent analysis by the Sustainable Business Institute at the European Business School shows that over 50 percent of GRI reporters are held as investments by European SRI funds.

Currently there are 416 companies reporting against the GRI Guidelines worldwide, placing GRI well within reach of its objective of 600 GRI reporters by 2005. There are 25 GRI reporters in Australia and New Zealand. To complement the general Guidelines, GRI is producing a number of industry-specific sector supplements. Already supplements for the social indicators for the finance sector, tour operators and telecommunications are at pilot testing stage. Supplements are also under way for the mining sector,

public sector reporting and environmental indicators for the finance area.

While sustainability or triple bottom line reporting remains voluntary process in most jurisdictions recent recommendations by the Johannesburg Stock Exchange for listed companies to report on their sustainability as well as financial performance could well pave the way for a new era in disclosure requirements.

Judy Henderson
Chair
Global Reporting Initiative



Awards 2004

Demonstrate your organisation's commitment to accountability and transparency by entering the ACCA Australia and New Zealand Awards for Sustainability Reporting 2004. Organisations of any size or sector that disclose environmental, social or sustainability information are eligible to enter.

The 2004 Awards timetable is:

January 2005

Deadline for participation

March 2005

Judges' meeting

May 2005

Awards presentation ceremony

To enter the awards, contact ACCA on +61 2 9747 2444 or email ausnz@accaglobal.com

For further information about the awards including judging criteria and information on ACCA's Sustainability Reporting Awards in other countries, go to www.accaglobal.com/sustainability

ACCA would like to thank KPMG,
the sponsor of the Awards



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