



The State of Sustainability Reporting in Australia 2005

Executive summary

This paper outlines the results of the third annual report in a series covering sustainability reporting by Australia's largest companies.

The Centre for Australian Ethical Research (CAER), in collaboration with KPMG and Deni Greene Consulting Services, conducted this project for the Australian Government Department of the Environment and Heritage. The project was conducted between May and September 2005.

The project involved gathering information from:

- companies in the Standard & Poor's/Australian Stock Exchange (S&P/ASX) 300 index;
- the top 100 private companies; and
- the top 100 unlisted public companies.

The S&P/ASX 300 index measures the movement in share values resulting from trading of approximately 300 companies on the ASX, and is constructed and calculated by Standard & Poor's, a credit rating company.

Issues addressed in this project included:

- production of stand-alone sustainability reports, and sustainability sections in annual reports and on corporate websites;
- independent verification of sustainability reports;
- benefits and impediments of producing a sustainability report;
- key audiences for sustainability reporting; and
- use of the Global Reporting Initiative (GRI) Guidelines.

The full report from this project will be available on the website of the Department of the Environment and Heritage listed at the end of this summary. Further information about the project can also be obtained from the sources listed at the end of this summary.

Scope of study

A broad range of corporate non-financial reports was considered under the heading of 'sustainability reports', including triple bottom line reports, corporate social responsibility reports and environment and community reports.

In addition to the analysis of current Australian performance on sustainability reporting, the project also looked at sustainability reporting overseas.



Background

Reporting overseas

Reporting rates in Australia are lower than overseas, based on a comparison of reporting by the top 100 publicly listed companies in 16 countries.

The average rate of reporting across the 16 countries is 41 per cent, compared with 23 per cent in Australia for the S&P/ASX 100.

The highest prevalence of sustainability reporting occurs in Japan, with 80 per cent of the top 100, followed by the UK with 71 per cent.

Verification

Of the 119 companies producing a sustainability report, 40 have had or will have their report independently verified (34 per cent), an increase from 28 per cent last year. Standalone reports are far more likely to be verified than sections of Annual Reports or websites.

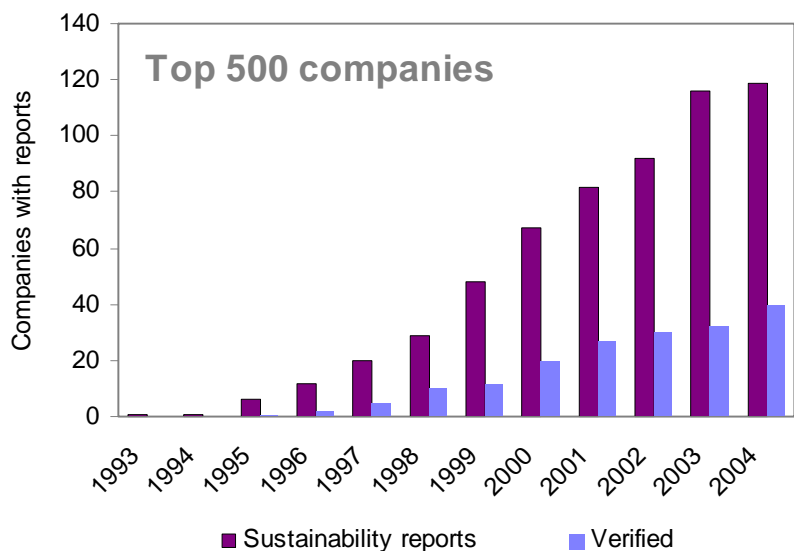
Sustainability reporting is becoming increasingly common among very large companies: 52 per cent of the Global Fortune Top 250 companies now publish such reports, and if annual financial reports with sustainability information are included, this percentage increases to 64 per cent.

The Department of the Environment and Heritage has taken a number of important steps to encourage the production of sustainability reports in Australia, including publications, an extension program with industry organisations, and roundtable discussions.

Outcomes of the project

Top 500 companies

Of the 486* companies researched for this project, 119 companies (24 per cent) are producing a sustainability report, representing a continued increase on previous years. Of the 119 reports, 70 per cent were stand-alone reports, 22 per cent were sections of Annual Reports, and 8 per cent were website sections.



Sustainability reports from the Top 500 companies

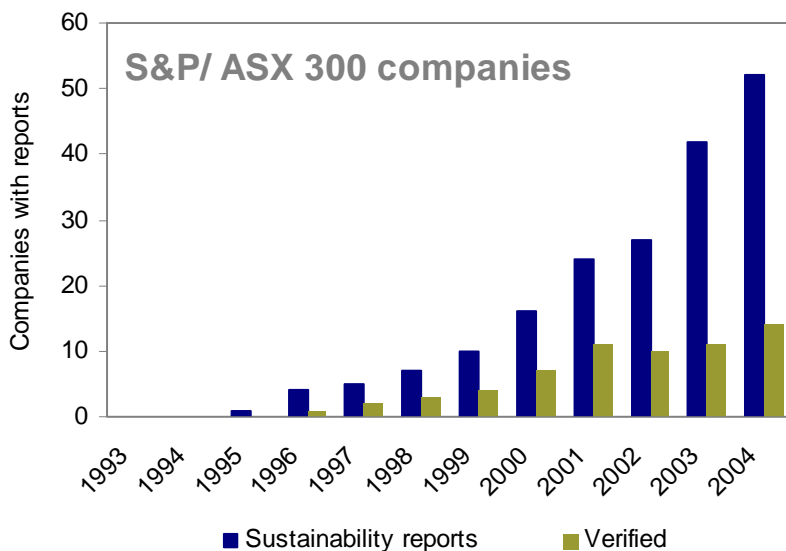
* The Survey sample size is 486 rather than 500 because the S&P/ASX 300 list actually comprises only 295 companies. Several public non-listed and private companies had multiple subsidiaries covered by the same global sustainability report, these subsidiaries have been grouped together.



S&P/ASX 300 companies

The number of S&P/ASX 300 companies producing sustainability reports increased from 42 last year to 52 this year. This is a larger increase than for the overall Top 500 companies.

The rate of production of sustainability reports among the S&P/ASX 300 is still significantly lower than the rate for all companies surveyed (18 per cent compared to 24 per cent), and only about half the rate of the public and private non-listed companies (35 per cent). The 200 smallest companies in the S&P/ASX 300 have an even lower rate, of 8 per cent. The highest rate (46 per cent) occurs among foreign-owned proprietary companies.

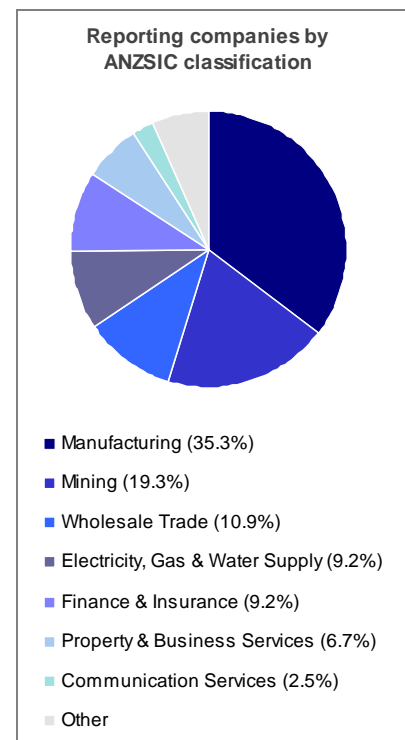


Sustainability reports from S&P/ASX 300 companies

Types of reports

The types of reports produced changed substantially since last year. 'Sustainability reports' dominate the field of reporting. The majority of reports produced are stand-alone.

As indicated in the chart below, 55% of reports were from mining and manufacturing companies.



Reporting Criteria

For this study, data on sustainability reporting was collected using existing databases of the study team, questionnaires sent to the companies and examination of company websites. Of the total of 486 companies, 76 companies provided a response to the questionnaire. Websites of all companies surveyed were also visited. The study included stand-alone reports, sections in annual reports and sections on websites. Not all sections in an annual report or on a website constitute a sustainability section. Before sections were recognised in the study, coverage of policies, main impacts, quantitative data and performance against targets was considered.



Benefits and impediments

Target audience

The majority of companies in the study identified their own employees as the target audience for their sustainability report. Shareholders and customers are the next most frequently cited audiences.

Use of Global Reporting Initiative (GRI) Guidelines

The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines.

The number of companies using the GRI Guidelines increased substantially in the past year. Reports 'in accordance with' the GRI Guidelines increased from 5 to 6, and reports 'with reference to' the GRI Guidelines increased from 35 to 61. This represents an increase from 30 per cent to 51 per cent of reports using the GRI Guidelines.

'Reputation enhancement' was the most frequently cited benefit of producing a sustainability report both last year and this year. 'Ability to benchmark performance' was also cited more frequently this year, by 68 per cent of companies compared to 48 per cent last year.

The impediments to producing a sustainability report that were cited most often were 'cost and resource constraints' and 'additional resources required initially'.

Conclusions

The number of Top 500 companies producing sustainability reports in Australia has continued to increase, albeit more slowly than for the previous years. Within the S&P/ASX 300 companies the increase is larger than for the sample as a whole, although the overall rate of reporting among these companies is still significantly lower than that of the total sample.

There is a trend towards greater use of sustainability reports instead of other types of reports (such as environment reports), and the number of reports prepared using the GRI Guidelines has grown considerably. Perhaps surprisingly, the most common target audience for sustainability reports is employees of the company preparing the report.

Despite the growth in reporting this past year, Australian companies are still lagging behind their overseas counterparts. This indicates a need for maintaining efforts to encourage sustainability reporting by Australian companies, and for continued monitoring of sustainability reporting to shape the encouragement and assistance in ways that meet company needs.

Further information about sustainability reporting can be found on the Department of the Environment and Heritage website at:

<http://www.deh.gov.au/settlements/industry/corporate/reporting/>

Project sponsor

Australian Government Department of the Environment and Heritage

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