

The State of Sustainability Reporting in the Trade and Retail Sector

A study to assist Australian trade and retail companies with the preparation of public environmental, social or sustainability reports.



Prepared by KPMG Sustainability Advisory Services
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Foreword

There is a growing awareness that the future sustainability of our society, including maintaining our high standard of living, requires us to take environmental impacts into account along with social and economic considerations. We create wealth by utilising natural resources, yet we have frequently measured our performance only through financial outcomes.

Now, we are not only increasingly aware of the need to protect and repair the environment for its own sake, but we appreciate the close relationship between the health of our environment, people and the economy. The Triple Bottom Line – considering the economic, environmental and social aspects of our activities – is a way for us to start to recognise and value these relationships.

Around the world a mix of market and regulatory pressures, focused on increased 'transparency' and 'informed markets', are encouraging organisations to take up the challenge of Triple Bottom Line or sustainability reporting. As this type of reporting becomes more common-place its value as a tool that enables organisations to both create a framework for thinking about sustainability, as well as to communicate how well they are doing, is being proven.

Enhanced reputation, financial savings, staff satisfaction and reduced environmental impacts are just some of the benefits that can stem from sustainability reporting.

The trade and retail sector is positioned at the end of the supply chain, the 'public face' of producers, and in direct contact with consumers and the wider community. Therefore brand image and company reputation are particularly valuable assets to trade and retail companies. Internationally the sector is actively using sustainability reporting to protect and enhance the value of these assets.

The immediate interface between the sector and consumers not only exposes trade and retail companies to growing community awareness and support for environmental initiatives, but also presents the sector with an opportunity to be a leader in promoting sustainability within the community.

Some Australian companies and industry sectors are already world leaders in recognising the importance that environmental and social factors play in their business operations. The Government is committed to encouraging and assisting the trade and retail sector to capitalise on the potential that can be realised from the continued development of improved environmental and social business practices and public reporting.

By publishing this study into sustainability reporting in the Australian and international trade and retail sector, the Government is aiming to encourage discussion and debate across the sector as well as provide a valuable resource for the sector.



David Kemp

Minister for the Environment and Heritage

December 2002

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Executive Summary

Effective brand and reputation management are the hallmarks of leading trade and retail companies. The clearly defined global trend towards the mainstreaming of environmental and social criteria in the business arena means future success lies with businesses ensuring they are, and are seen to be, good operators.

Financial performance is no longer the sole driver for business. Companies are becoming aware that business sustainability (and, ultimately, financial performance) is determined by a combination of economic growth, environmental balance and social progress.

Employees, communities, activist groups, government, and increasingly financial institutions are putting pressure on companies to actively demonstrate they control their environmental and social risks and are improving their performance in these areas.

To meet these demands for greater accountability companies are increasingly considering publishing sustainability reports, or “Triple Bottom Line” reports, to communicate their environmental, social and economic performance to internal and external stakeholders.

Australian trade and retail companies are still to embrace sustainability reporting

Sustainability reporting is becoming mainstream for big corporations with 45 per cent of the *Global Fortune* Top 250 companies now publishing environmental, social or sustainability reports, according to a KPMG global reporting survey released in June 2002.

Locally however, the *KPMG International Survey of Corporate Sustainability Reporting 2002* found the reporting rate for the top 100 listed Australian companies decreased from 15 per cent to 14 per cent in 2002.

Similarly, the Australian trade and retail sector is lagging international practice, with only two companies, or 4 per cent, of the Australian trade and retail companies in the BRW 1000 reporting on their environmental or social performance in a separate public report, compared to 26 per cent of trade and retail companies in the *Global Fortune* Top 250.

The business case for sustainability reporting

The business case for trade and retail companies to publicly report on their environmental and social performance, in addition to their financial performance, revolves around the satisfaction of the increasing demands of three important stakeholder groups: consumers, employees and investors.

- *Consumers and the community:* The publication of a sustainability report can enhance a company's management of its brand, trust and reputation, which are strong drivers for consumer preferences. For example, 91 per cent of Australian consumers, surveyed by Sweeney Research in 2001, stated that they would be likely to buy from companies that can show they behave ethically;
- *Employees:* A sustainability report can help enhance a culture where employees are proud of their employer organisation. This can assist in winning and keeping the best talent, which 70 per cent of CEOs of Australian companies believe would help them win in the future, according to a 2001 study of the best employers; and
- *Investors:* A trade and retail company can use a sustainability report to demonstrate to shareholders how it manages its environmental and social risks. In addition, the growing socially responsible investment (SRI) sector, which was estimated to include \$13.9 billion of funds invested in Australia in 2001, makes use of public reports to select

companies for inclusion in funds based on demonstrated environmental and social performance.

While companies operating in the trade and retail sector are positioned at the end of the supply chain and may not be directly exposed to sensitive environmental and social issues, they are increasingly being asked to account for the circumstances under which the products that they sell are being produced and sold. Publishing a sustainability report can assist a trade and retail company to become or remain the retailer of choice.

Benchmarking international trade and retail sustainability reports

Several trade and retail companies use national or international reporting guidelines as a starting point for preparing their reports, in particular the *Global Reporting Initiative* (GRI) guidelines, which are generally recognised as the emerging international standard for sustainability reporting.

Our review of 24 trade and retail reports against the reporting components recommended by the GRI guidelines revealed that:

- Reasons for the preparation of sustainability reports vary between companies and depend on the maturity of a company's reporting, the drivers for corporate social responsibility in general, and the target audience of the report. The most common reasons mentioned are assessing the company's environmental and social performance, meeting stakeholders' demands for this information, providing a starting point for stakeholder communication and engagement, and mandatory reporting requirements;
- The home countries of trade and retail companies influence the type and scope of reporting. Many European companies produce integrated environmental, social and/or economic reports, Japanese reports provide the most detailed quantified information, and US companies describe in detail their contribution to the community through charity and sponsorships;
- Companies mostly report on what they do for stakeholders rather than how these stakeholders are involved in the company's activities and in achieving the company's strategic sustainability objectives. The most common approach taken is to produce reports specifically aimed at the community with information on how the company has contributed to the wider community through charitable donations, sponsorships, fundraising activities and training and development programs;
- The surveyed trade and retail companies report on a wide range of environmental, social and economic performance indicators, although the level of detail varies and few companies have their data verified by a third party;
- Due to the nature of their business, trade and retail companies report in more detail on the application of environmental innovations and the environmental and social performance of their products. Examples include innovations to reduce electricity use in stores and packaging of products, the participation in product take-back schemes and the provision of eco-friendly and eco-labelled products to customers, such as organic food and timber from sustainably managed forests; and
- Many companies report on the benefits achieved through improving their environmental and social performance, including enhanced reputation, financial savings, staff satisfaction and reduced environmental impacts.

In conclusion, the results of the study indicate that there is a significant opportunity for Australian trade and retail companies to further enhance their positioning with key stakeholders through continued development of sustainability reporting practices.

Introduction

Environment Australia initiated this study of sustainability reporting practices to demonstrate the business case for Australian trade and retail companies to account for their environmental, social and economic impacts by publishing a sustainability report, and provide guidance on what topics and indicators could be included in these reports.

KPMG's Sustainability Advisory Services practice was engaged to research the nature of the environmental, social and sustainability reports, as independent documents or included in an annual reports or websites, of the 45 largest Australian trade and retail companies of the *Business Review Weekly* (BRW) Top 1000 Australian companies (see Table 1). These results were then compared with the reporting practices of the 37 trade and retail companies in the top 100 listed companies in each of 19 countries¹ and the Global Fortune Top 250 (GFT250) companies (see Table 2). The international research originated from data included in the *KPMG International Survey of Corporate Sustainability Reporting 2002*.

This study identifies the trends, drivers and benefits of reporting by international trade and retail companies. Furthermore, it provides an overview of the topics and indicators that have been included in these reports. Finally, the study includes examples and tools, such as guidelines and websites, to assist Australian trade and retail companies in the development of

Table 1: Australian BRW 1000 trade and retail companies included in the Survey.

Retail: food (ANZSIC G52)			
Coles Myer	Foodland	Tricon Restaurants	Smokemart
Woolworths	Quix Food Stores	7-Eleven Stores	Fresco Supermarkets
Franklins	McDonald's	Competitive Foods	
Retail: personal/household goods (ANZSIC G51)			
David Jones	Just Jeans	BIL Australia	JB Hi-Fi Group
Warehouse Group	Office National	Priceline	Toys "R" Us
Harvey Norman	James Richardson	Freedom Group	Forty Winks
Miller's Retail	Pacific Retail Group	Strathfield Group	Thorn Australia
Nuance Group	Colorado Group	Rebel Sport	Avon
Spotlight Stores	Barbeques Galore	AnGreat Universal Stores & Coote	Roger David
Brazin	Country Road	Lowes-Manhattan	Amway
Sussan Corporation	Super A-Mart	DFS Australia	AnGreat Universal Stores & Robertson

their first report or in the continuous improvement of existing reporting practices.

¹ These countries include Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Japan, The Netherlands, Norway, Slovenia, South Africa, Spain, Sweden, UK and USA.

Table 2: International trade and retail companies that have published an environmental, social or sustainability report.

Name and country of origin		
AEON (Japan)	Axfood (Sweden) ¹	Cargill (Canada) ²
Coop (Norway) ¹	Diaei (Japan) ¹	Dixons Group (UK)
FDB Koncernen (Denmark) ¹	Great Universal Stores (UK) ²	Group Auchan (France) ¹
Home Depot (USA)	Itochu Corporation (Japan) ²	Ito-Yokado (Japan) ²
J.C. Penney (USA)	Kawasho (Japan) ¹	Kesko (Finland)
KF (Sweden) ¹	Kingfisher (UK) ²	LVMH(France) ¹
Marubeni Corporation (Japan) ²	McDonalds (USA)	Metro AG (Germany)
Mitsubishi Corporation (Japan) ²	Mitsui & Co (Japan) ²	Møller Gruppen AS (Norway) ¹
Mycal (Japan) ¹	Nissho Iwai Corporation (Japan) ²	Norks Kjøttssamvirkit ¹ (Norway)
Royal Ahold (Netherlands)	Sainsbury's (J) (UK)	SOK Corporation (Finland)
Sophus Berendsen (Denmark) ²	Sumitomo Corporation (Japan) ²	Supervalu (Japan)
Svenska Lantmännen (Sweden) ¹	Takashimaya (Japan) ¹	Tradeka Corporation (Finland) ²
The Warehouse (New Zealand)		

¹ Reports were not available in English and were therefore excluded from the detailed analysis of reports.

² Company includes non-retail core activities.

Part One - The Business Case

This section discusses the history of sustainability reporting, outlines the drivers and benefits of sustainability reporting and looks at the status of sustainability reporting internationally and in Australia.

Sustainability:

"...development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

The World Commission of Environment and Development (The Brundtland Commission), *Our Common Future - Report of the World Commission on Environment and Development*. Oxford University Press, 1987

Sustainability Reporting – A Brief History

The relationship between corporations, their consumers and the broader community is dynamic. Shell's scenario planners mapped a shift from a "Trust Me" world in the 1950s, where the public trusted that if business did well, so would society, to a "Show Me" world in the 1990s, where the public expects business to demonstrate that they can be trusted, and an "Include Me" world where the community demands to be involved in business decisions that affect them.²

The drive from the community to be included is also reflected by the *Millennium Poll*, which shows that 45 per cent of Australians consider the role of large companies in society should be to "set higher ethical standards and help build a better society for all."³ A recent study by the Business Council of Australia also found that 45 per cent of Australians believe that business should have a more socially expansive role.⁴ As a result, the community, governments, non-governmental organisations (NGOs) and investors are putting pressure on companies to improve and disclose their environmental and social performance.

This trend in public expectation is international – "only 4% of Americans surveyed in 2000 by a Business Week/Harris Poll agreed that US corporations should only have one purpose – to make the most profit for their shareholders – and their pursuit of that goal would be the best for America in the long run. Ninety-five per cent agreed that US corporations should have more than one purpose and that they also owe something to their workers and the community in which they operate."⁵

Historically, sectors that have the most direct impact on the environment, such as mining, oil and gas and manufacturing have been leaders in environmental reporting, and have expanded their reports to include information on social impacts. Companies with a high social impact

² Shell, *The Shell Report - Profit & principles*, 1999. www.shell.com

³ Environics International "The Millennium Poll", 1999

⁴ Cornell, Andrew "A Job for Big Business" in *Australian Financial Review*, May 15, 2002, p55

⁵ World Economic Forum, *Global Corporate Citizenship: the leadership challenge for CEOs and Boards*, p 10, with reference to: Business Week, September 2000, Too much corporate power?

followed suit, in particular those operating in developing countries, such as Nike and The GAP.

Now, sectors with indirect environmental and social impacts are engaging in sustainability reporting. While companies operating in the trade and retail sector are positioned at the end of the supply chain and may not be directly exposed to sensitive environmental and social issues, they too are increasingly being asked to account for the circumstances under which the products that they sell are being produced and sold.

To meet these new demands for greater accountability companies are incorporating environmental and social aspects in their business strategies and activities. Furthermore, they are increasingly publishing sustainability reports, or “Triple Bottom Line” reports, to communicate their environmental, social and economic performance to internal and external stakeholders.

Governments have taken two broad approaches to supporting this cultural change in business reporting – support for voluntary reporting take up, and the introduction of mandatory requirements. Mandatory environmental or social reporting requirements have been introduced in Denmark, The Netherlands, France and the US, among others. In Australia, the Corporations Act section 299 (1) (f) was introduced in 1999, requiring companies with a director’s report to provide details of the entity’s performance in relation to environmental regulations. In all other respects, Australia has taken the approach of supporting the uptake of voluntary reporting.

A number of guidelines and frameworks have been produced to assist organisations in reporting. These are outlined further in Part Three – The Next Step, and include the *Global Reporting Initiative* (GRI) guidelines,⁶ the *AA 1000 Guidelines*,⁷ the *Australian Framework for Environmental Reporting*,⁸ and the *United Nations Global Compact*.⁹ Companies have also formed alliances, such as the World Business Council for Sustainable Development (WBCSD)¹⁰ and the Coalition for Environmentally Responsible Economies (CERES),¹¹ as fora for developing improved social and environmental business practices and public reporting.

Benefits of Reporting for Trade and Retail Companies

Publishing a sustainability report can assist a trade and retail company to become, or remain, the business of choice for consumers, employees and investors.

“Taking care of the environment and meeting your social responsibilities makes good business sense”

Bjorn Stigson President, World Business Council for Sustainable Development, 2001

⁶ <http://www.globalreporting.org/>. For a description of the GRI guidelines see appendix D.

⁷ The Institute of Social and Ethical Accountability, *AA1000 Guidelines*, 1999 <http://www.accountability.org.uk/>

⁸ Environment Australia, *A Framework for Environmental Reporting – An Australian Approach*, March 2000.

<http://www.ea.gov.au/industry/sustainable/per/publications.html>

⁹ www.unglobalcompact.org

¹⁰ www.wbcsd.ch

¹¹ www.ceres.org

Retailer of choice

Effective brand and reputation management are the hallmarks of leading trade and retail companies. The clearly defined global trend towards the mainstreaming of environmental and social criteria in the business arena means future success lies with businesses ensuring they are, and are seen to be, good operators.

The willingness of consumers to support companies that address environmental and social issues in their operations has been identified in a number of surveys. A 2000 KPMG/Resnik survey showed that between 75-82 per cent of Australians surveyed had purchased products on the basis of social or environmental issues in the last 12 months.¹² This consciousness was again found in a Sweeney Research study conducted in 2001, which found that 91 per cent of consumers stated they would be likely to buy from companies that can show they behave ethically, while 78 per cent of consumers said they would support a company that does good work in the community.¹³

This pattern of consumer concern appears to be developing globally, for example, in the UK, a survey conducted by Market and Opinion Research International (MORI) found that 44 per cent of surveyed British consumers say they have rejected a product on ethical grounds and 29 per cent say they have bought a product or service using the same criteria in the last 12 months.¹⁴

"Does the product come from livestock reared in humane conditions; was it grown or produced with the minimum of resources, and how will it be disposed of? This is what many customers ask themselves before the can of tuna, carpet or wooden boards land in the trolley."

Metro AG, *Environmental Report 2000*, www.metro.de

Studies suggest that, where offered a choice, consumers will buy products that conform to their own ethical standards. Commonly expressed criteria include:

- Assurance that products were not produced through exploitive labour, such as child labour or slavery or the exploitation of primary producers in developing countries;
- A business culture that treats employees with fairness and dignity;
- Sufficient labelling of products sold, for example, where products contain genetically modified organisms (GMO) or where pesticides may have been used in the growing of products;
- Environmentally friendly products;
- Animal products that are humanely produced; and
- Packaging goods in environmentally responsible forms.

¹² KPMG and Resnik Communications, *Putting your money where your mouth is*, Socially Responsible Investment Research, 2000.

¹³ Eye on Australia, Sweeney Research, cited in Lloyd, Simon, *Trade and retail: happy shopping*, Business Review Weekly, 8 June 2001

¹⁴ Market and Opinion Research International (MORI) on behalf of the Cooperative Bank, *Ethical Consumerism Research*, 2000. www.mori.com

"We are the buyers for our customers: responsible product sourcing is about maintaining their trust."

Royal Ahold, *From Farm to Fork*, 2000. www.ahold.nl

The brand of many trade and retail companies is an intangible but very valuable asset. Damage to the brand's image may lead to immediate and sustained loss of income. The *Reputation Quotient* (RQ) study found that there is a direct link between market value, reputation and general corporate performance. The RQ research found that organisations which increased their RQ from 1999 to 2000 experienced an average of 8 per cent increase in market value, while firms whose RQ declined experienced a 28 per cent decrease in market value.¹⁵

Likewise, corporate social responsibility is increasingly seen as a means of building a distinctive brand image and differentiating a company from its competitors. The publication of a sustainability report can enhance a company's management of its brand by increasing trust and building reputation. A report can also assist in positively engaging stakeholders who may be monitoring the company's activities, and provide assurance the company is managing its impacts responsibly.

"A few years ago we did not look beyond our corporate walls for much input on anything we were doing in the area of corporate responsibility. Although we have a team-oriented culture within the company, we were fiercely competitive externally, and the *Just do It* culture didn't lend itself naturally to dialogue, sharing ideas and consensus building. Input into business decisions was limited almost exclusively to those stakeholders with whom we had some type of financial relationship – employees, consumers, retailers, suppliers, investors and recipients of corporate giving.

We've learned the hard way that our view of the world was not informed, as it should have been. In the last few years we have had dialogue with the vast range of stakeholders in civil society."

Nike, *Corporate Responsibility Report FY 2001*, 2001. www.nike.com

Employer of choice

In a 2001 study of best employers, 70 per cent of CEOs surveyed believed that winning and keeping the best talent would help them win in the future.¹⁶ Employees who believe in their organisations' goals and its commitment to integrity and public accountability are likely to give discretionary effort and be highly motivated in the workplace. A sustainability report can help enhance a culture where employees are proud of their organisation and consciously work to advance its interests.

¹⁵ www.harrisinteractive.com and <http://www.reputationinstitute.com/>

¹⁶ Hewitt Associates, *Best employers to work for in Australia*, 2001. www.bestemployersaustralia.com

"We regard our employees as our greatest asset. They choose to stay with us because we care and we take time to recognise individual qualities."

The Warehouse, *Triple Bottom Line Report 2001*,
www.thewarehouse.co.nz

Investment of choice

Investors are rapidly coming to the realisation that environmental and social performance and corporate governance frameworks affect a company's bottom line. Shareholders expect a company to effectively manage those risks that could affect a company's reputation and its bottom line. A trade and retail company can use a sustainability report to demonstrate it is aware of, and actively manages, its risks.

Sustainability reports may also assist major trade and retail companies in capitalising on the fastest growing segment of the investment market - socially responsible investment (SRI). In the SRI sector investors deliberately choose to invest in funds and companies that they believe demonstrate good environmental and social performance. The assets of SRI managed funds in Australia grew by 32 per cent between 2000 and 2001 to a total of \$13.9 billion, in marked contrast to assets of managed funds as a whole, which declined by 0.1% during the year to 30 June 2002. Since 1996, SRI managed fund assets in this country have achieved a staggering growth rate of over 700%.¹⁷ In the United States, SRI is experiencing growth at twice the rate of all assets under management and in 1999 was estimated to be worth US\$2.16 trillion, an increase of 82 per cent since 1997.¹⁸

Publicly reporting environment and social initiatives can facilitate the inclusion of a company in SRI funds. For example, companies that are considered to have a high environmental impact must have published a public environment report within the last three years to qualify for inclusion in the *FTSE4Good* index. The recognition associated with inclusion in SRI indices has the potential to further improve the reputation and image of a company.

The amended Financial Services Reform Act requires fund managers and financial product providers to publicly disclose if and how they consider environmental and social issues in their investment analyses. This could put pressure on companies to publicly report as financial institutions start to incorporate sustainability issues into their investment decisions.

Status of Sustainability Reporting

Sustainability reporting in Australia and globally

Most organisations in Australia have not yet embraced sustainability reporting. Only 14 per cent of Australia's 100 top listed companies surveyed in 2002 published separate environment, social or sustainability reports compared with 23 per cent of the top 100 companies in each of 19 countries and 45 per cent of GFT 250 companies (see Figure 1).

However, 76 per cent of Australian companies do include environmental or social information in their annual reports, compared with 49 per cent in the top 100 in 19 countries. Many of the Australian reports surveyed include a statement of compliance as required under Section 299 (1) (f) of the Corporations Act. Whilst legal compliance is reported, this

¹⁷ Ethical Investment Association, *Socially Responsible Investment in Australia 2001, Benchmarking Survey*, September 2001

¹⁸ Social Investment Forum, *2001 Report on Socially Responsible Investing Trends in the United States*, 2001.
www.socialinvest.org

information alone is unlikely to meet requirements of the company's stakeholders who want to be informed about the companies' environmental and social performance.

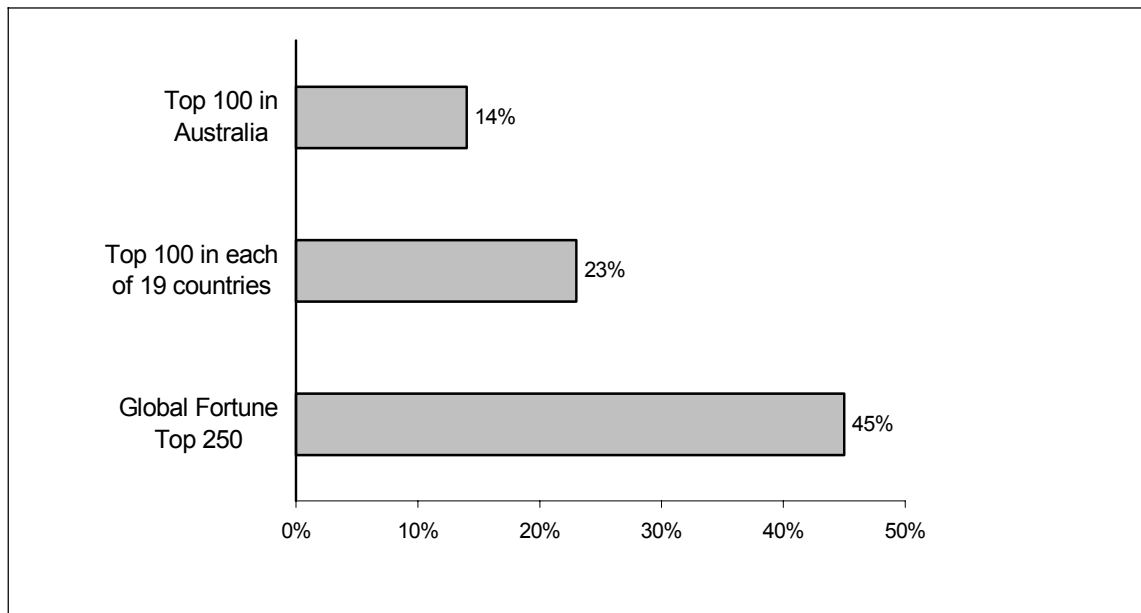


Figure 1: Separate environmental, social or sustainability reports in the 2002 survey.

Differences in reporting focus between countries

There are various reasons for reporting differences between countries, including company size, sector composition, legal requirements, qualification for inclusion in socially responsible investment (SRI) funds, and the level of public pressure to publicly account for environmental and social impacts.

Drivers for the uptake of reporting differ between countries, resulting in differences in the breadth and depth of trade and retail reports (Table 3):

- European companies, in particular in Scandinavia, Germany and The Netherlands, have high reporting rates and produce more combined environmental and social reports. This reflects the relatively high environmental and social awareness in these countries. The Netherlands and the UK also have legislated reporting requirements;
- Japanese companies reflect the environmental reporting and accounting guidelines issued by the Japanese Ministry for the Environment. They deal predominantly with environmental matters in a detailed and quantitative manner. The content of these reports varies little between companies;
- US companies tend to include less quantitative information in their reports, but provide detailed information on their contribution to the community through charitable donations and sponsorships; and
- Australian and New Zealand companies include environmental and social information in their annual reports rather than in separate reports. The inclusion of environmental information in Australian annual reports is aimed at complying with disclosure requirements under Section 299 (1) (f) of the Corporations Act, rather than meeting the broader information needs of stakeholders. The exception is The Warehouse, which issued an integrated triple bottom line annual report.

Table 3: Differences in reporting by trade and retail companies in different countries.

Country/continent	Separate or annual report	General scope	Reports with detailed quantitative information
Europe	Separate	Environment & Social	✓✓
Japan	Separate	Environment	✓✓✓
US	Separate	Community	✓
Australia / New Zealand	Annual	Environment & Social	✓

✓ = few; ✓✓ = several; ✓✓✓ = most companies

Sustainability reporting in the trade and retail sector

Publication of separate reports

Only two companies, or 4 per cent, of the Australian trade and retail companies in the BRW 1000 published a separate environmental or social report. These were the parent companies of McDonalds and The Warehouse.

Similarly, none of the five trade and retail companies in the Australian top 100 produced a separate social or environmental report, compared to 15 per cent of companies in the top 100 in each of 19 countries and 26 per cent of companies in the GFT250 (see Figure 2).

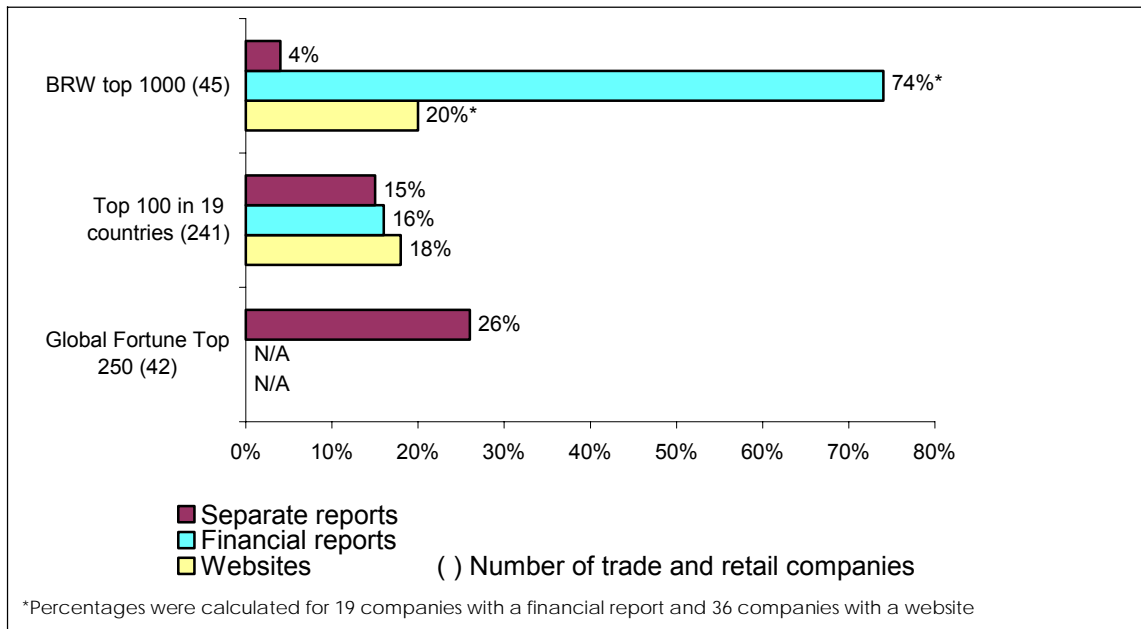


Figure 2: Environmental or social reporting by trade and retail companies in separate reports, financial reports or on websites in 2002.

It should also be noted that the reporting practices of the parent company's country of origin are likely to impact the report of subsidiary organisations, wherever situated.

Inclusion of sustainability information in Australian financial reports

Seventy-four per cent of the Australian trade and retail companies with a financial report included environmental, health, safety or social information in that report, compared with 16 per cent of trade and retail companies in the top 100 of 19 countries.¹⁹ Of the Australian reports, eight included only environmental information, one included only social information, and five included a combination of environmental, health and safety and/or social information.

In most instances, environmental information was restricted to a sentence relating to compliance with environmental legislation as required under the Corporations Law. Such a statement on its own is unlikely to meet the information needs of stakeholders, such as the finance sector, NGOs and the community. Coles Myer, Woolworths and The Warehouse were the only organisations that included detailed information on their environmental and social initiatives.

Inclusion of sustainability information on websites

Only 20 per cent of the companies surveyed that had websites reported their environmental or social activities at a level comparable to their international counterparts. These companies were Coles Myer, Woolworths, 7Eleven and McDonalds.

Conclusion

Corporations around the world are increasingly reporting on their environmental, social and economic performance to internal and external stakeholders, with 45 per cent of the *Global Fortune* Top 250 companies now publishing environmental, social or sustainability reports.

The Australian trade and retail sector are lagging international sustainability reporting practice, with only two companies (or 4 per cent) of the Australian trade and retail companies in the *BRW 1000* producing a public environmental, social or sustainability report.

Clearly, Australian trade and retail companies are yet to capitalise on the potential of public reporting to become or remain the retailer, employer and investment of choice.

¹⁹ Of the 45 companies, only 19 produce a financial report. Privately owned companies are not required to produce an annual report unless they are of a certain size.

Part Two - Current Practice

This section examines Australian and international trade and retail reports more closely, and discusses why companies have chosen to report, who the reporting is intended for and what they report. The analysis was only conducted for the 24 of the 37 reports that were in English (refer Table 2). Furthermore, reports from eleven international companies with a predominant trade and retail focus conducted a quantitative assessment against the GRI guidelines.

Appendix D includes case study examples of current best practice reporting by the world's largest trade and retail companies, and appendix E provides an overview of environmental, social and economic indicators used in these reports.

Why do trade and retail companies report?

The motivation for reporting varies between companies and depends on the maturity of a company's reporting, the drivers for corporate social responsibility in general, and the target audience of the report. This survey found that CEOs express a variety of reasons for publicly reporting. The following reasons were the most commonly stated:

- To establish a benchmark of the company's current position, goals for the future, and plans the company has to reach those goals;
- Provide assurance to internal and external stakeholders of the company's progress against its commitments and prior years' performance;
- Create a starting point for wider stakeholder consultation and involvement in the company's activities;
- Respond to the demand from stakeholders, such as the community and the financial sector, for greater accountability and transparency; and
- Meet mandatory requirements to publish a separate report or include environmental or social information in annual reports.

"Socially responsible leadership begins a process that involves more awareness on the issues that will make a difference. So, we consider this report a beginning and a template by which we will measure our progress in the area of social responsibility."

McDonald's, *Corporate Social Responsibility Report*, 2002.
www.mcdonalds.com

Who are the audience and what types of reports are used?

Reporting companies recognise that their stakeholders are not limited to their investors. The stakeholder groups defined in reports included employees, franchisees, customers, suppliers, community groups, NGOs, research and educational institutions, trade associations, government agencies, political parties and the media.

This identification of multiple stakeholder groups is reflected in the growing proportion of international trade and retail companies that combined social and environmental reporting to produce sustainability reports (see Figure 3). Notably, all of these reports were available on the Internet, indicating an increasingly global audience.

Some acknowledgment of the desirability of demonstrating that the information in reports is reliable is also evident, with three (27 per cent) of the reporting GFT250 trade and retail

companies and four (11 per cent) of the reporting trade and retail companies in 19 countries having their reports independently verified to meet these expectations.

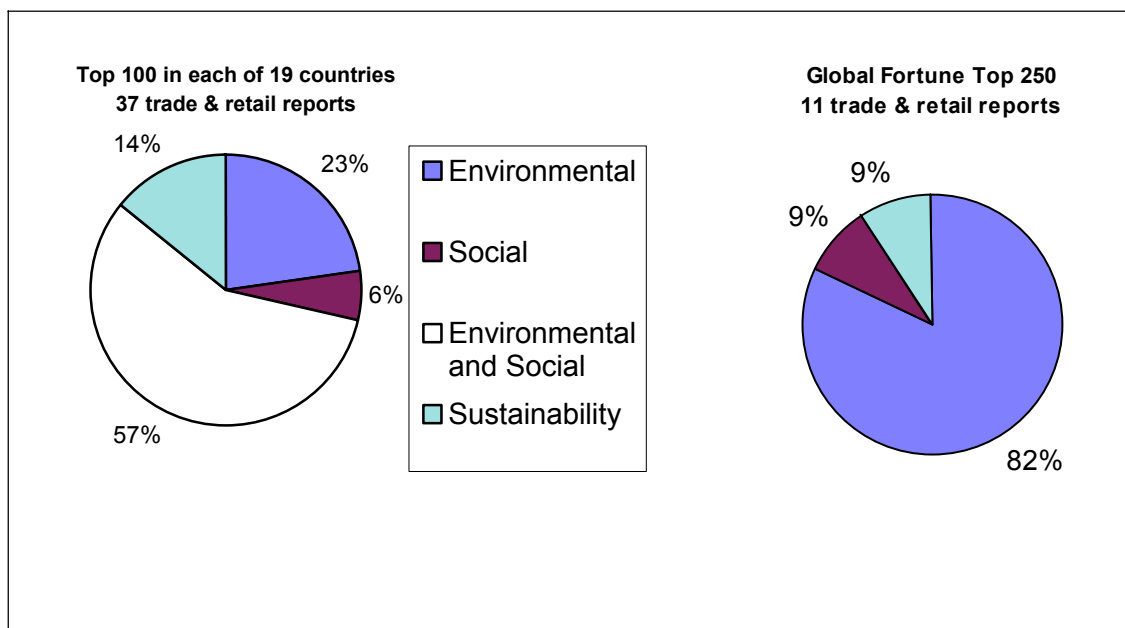


Figure 3: Information included in corporate reports by trade and retail companies in 2002.

What do trade and retail companies report?

Several trade and retail companies used national or international reporting guidelines as a starting point for preparing their reports. The *Global Reporting Initiative* (GRI) guidelines are mentioned most frequently and are generally recognised as the emerging standard for reporting. These guidelines attempt to incorporate the best features and practices of other guidelines to produce common standards for company reporting of environmental, social and economic information.

As part of our research we used KPMG's *Sustainability Reporting Spiderweb* ("the Spiderweb") as a diagnostic tool to assess to what extent reports cover the suggested topics and indicators in the GRI guidelines and in what level of detail. The information is grouped in ten Spiderweb categories. Table 4 explains the link between the GRI guidelines and the Spiderweb categories.

The Spiderweb scores indicate to what extent the reports cover the GRI reporting ingredients, with 100 per cent being the most favourable score.

The results of the analysis of eleven trade and retail reports provide a high level overview of the current breadth and depth of reports (see Figure 4). The reports selected for analysis were in English and belonged to companies with a predominantly trade and retail focus (i.e. excluding companies that had other large business components). These include reports by AEON, Great Universal Stores, Home Depot, Ito-Yokado, Kesko, McDonald's, Metro AG, Royal Ahold, J Sainsbury, SOK and The Warehouse.

On average, the surveyed international trade and retail companies cover 35 per cent of the GRI reporting requirements, with the highest scores for each component of the Spiderweb between 42 and 80 per cent. Companies report in more detail on the application of environmental innovations and the environmental and social performance of their product, which reflects the product focus in the trade and retail sector.

Table 4: Content of a sustainability report.

Report section recommended by GRI guidelines	Purpose is to explain	Spiderweb categories
Vision and Strategy	What are the company's sustainability objectives?	CEO statement and strategy (including vision)
Profile	What does the report cover and not cover?	Company profile and report scope
Sustainability Management	How will the company implement its strategy?	Sustainability management systems Staff competence management Stakeholder engagement Programs
Sustainability Performance	How is the company performing?	Economic performance (incl. verification) Social and environmental performance (including verification) Product performance Innovations

The breadth and depth of reporting on sustainability management and performance, including the Spiderweb scores, is discussed in the remainder of this section. Appendix D includes detailed case study examples of current best practice information that all 24 trade and retail companies that reported in English included.

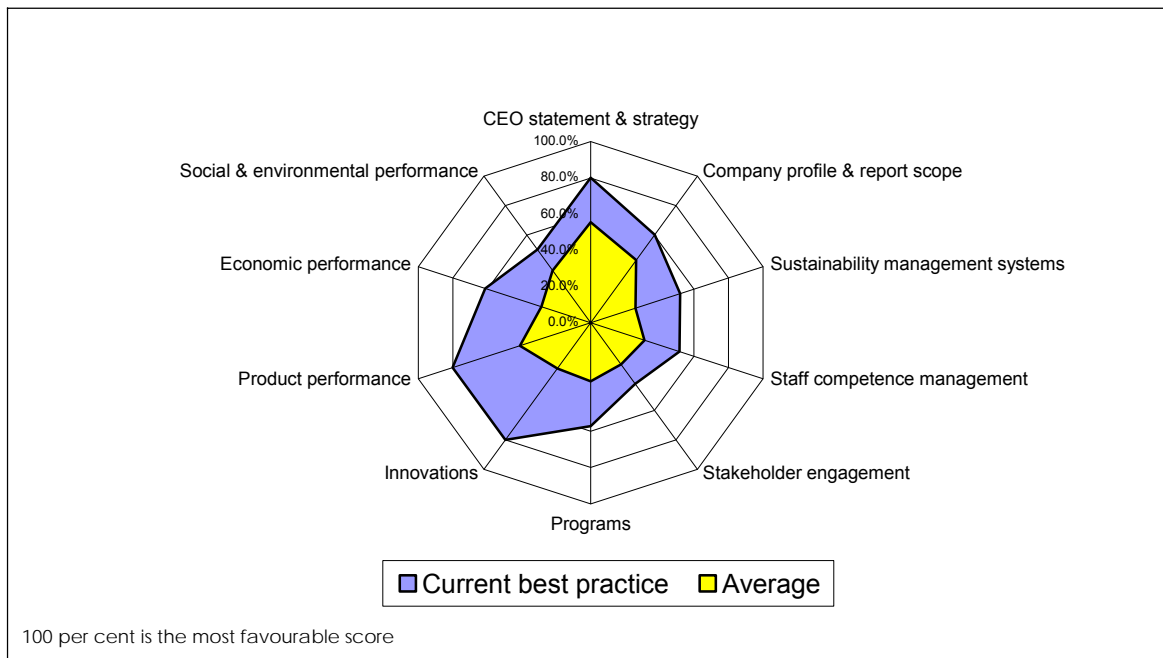


Figure 4: Extent to which selected international trade and retail reports cover the GRI sustainability reporting guidelines.

Vision and strategy

CEO Statement and Strategy.

On average, the eleven reports meet 56 per cent of the GRI criteria and the inclusion of a CEO statement in most reports contributes to a higher score compared to other Spiderweb categories.

The GRI guidelines recommend that a sustainability report include a description of the organisation's vision and strategy for sustainability, and place the report in the broader context of the company's overall strategic direction. Only some of the companies provide their vision of how developments in the area of corporate social responsibility will affect society and their business. The most comprehensive statement is by Kingfisher, who published a full "plan for corporate social responsibility", which identifies the range of economic, environmental, and social issues. Kingfisher's plan builds the business case for action, prioritises issues based on twelve trends in society, and determines the next steps and targets.

"As a company operating in society, we pursue our day-to-day business with the cooperation and support of our customers and many other people. We consequently believe it important to reevaluate our corporate activities frequently from the three perspectives of business (the economic aspect), the environment and society in order to achieve harmonious growth and to accomplish our social mission."

Ito-Yokado, *Sustainability Report 2001*. www.itoyokado.iyg.co.jp

Most reports start with a statement from the CEO, to set the tone of the report, demonstrate commitment from the top level and identify highlights and challenges for the future. Metro AG's report includes a CEO statement in the form of three questions and answers by the CEO, including the importance of sustainable development on Metro AG's own perception of itself, the impact the environment has on business decisions and the importance of all staff talking about the environment.

Profile

Company profile and report scope.

Reports should include a section on the profile of the company, to provide the reader with an insight into their organisation and its impacts on society. This is particularly important for trade and retail companies because many operate in several countries, incorporate several brands, and have a variety of operations (such as food processing or wholesale activities). The average score for company profile and report scope is 26 per cent, with the highest 52 per cent (Figure 4).

We found that:

- Most trade and retail companies provide a company profile including the organisational structure, divisions, operations and activities. Royal Ahold, for example, includes an overview of sales and number of stores per continent in the front of the report and a more detailed corporate profile in the back;
- Companies usually identify their stakeholders. For example, The Warehouse structured its report around five stakeholder groups: team members, suppliers, community, shareholders and customers. However, fewer companies describe the nature of stakeholders' interest in the company. Ito-Yokado made use of customer, staff and supplier surveys and round tables to determine the key issues for the report; and

- Few companies provide a detailed profile of the impacts of the company on the environment. The most detailed information is from AEON, which provides several schematic flows in its report detailing, for example, the direct and indirect environmental burden from business activities, and waste reduction initiatives.

Clearly setting the context and scope of the report is important in identifying which parts of the company are included, the time period covered, how the report was prepared and the reliability of the reported information. The Warehouse is the only company surveyed to include a section on the reporting process, outlining the agencies, initiatives and guidelines that have helped the company along its sustainability path and the preparation of its first triple bottom line report. A few companies discuss the reliability of the information in the report, with AEON being the most notable example. AEON includes environmental management statements by its environmental manager and a third party.

Sustainability management

Most reports include a section describing what systems, programs and activities the company has in place to improve environmental, social and economic performance within the business strategy. However, the content and level of detail varies, and only a few companies provide detailed information (see Table 5). For this reason, on average, reports meet only 30 per cent of the GRI reporting criteria (see Figure 4).

Home Depot requires wood vendors to document the origin of their wood products. "Since announcing our policy, we have seen tremendous growth in certification, with sales of Forest Stewardship Council (FSC) wood products up more than 300% since we began tracking them in June 2000. Some vendors are seizing on this as an opportunity to grow their businesses, while others are taking a wait-and-see approach. It is not difficult to conclude which vendors are gaining access to new opportunities to do business with Home Depot."

Home Depot, *The Home Depot Social Responsibility Report 2000*
www.homedepot.com

Sustainability management systems

Japanese trade and retail companies report in the most detail on their environmental management systems and targets. They report on certification audits to the ISO 14001 standards and the link to quality management systems. European companies report more frequently on supplier requirements and audits, for example, Royal Ahold audits suppliers' methods of guaranteeing food safety and product quality, and SOK surveys its suppliers on adopting required social standards. Many of the other companies, in particular first time reporters, explain their plans to develop management systems. Risk management and legal compliance are not often mentioned, possibly because financial reports cover this topic.

Staff competence management

All companies mention the appointment of dedicated staff to enhance the company's environmental and/or social performance, but few discuss how these staff are utilised, or the fact that the Board acknowledges their overall responsibility for environmental and social management.

Most European trade and retail companies explain their recruitment and career development programs and performance appraisal systems. Several companies report on the inclusion of environmental responsibilities in job descriptions, although few mention if and how

environmental and social performance is incorporated in job appraisals and remuneration reviews. The average Spiderweb score for the eleven companies is 31 per cent.

Table 5: Information on sustainability management included in trade and retail reports.

Subsection	Content	Reports including information	Reports including detailed information
Management systems	Policies Target setting Management systems Supplier requirements Auditing Risk assessment Legal compliance	✓✓	✓
Staff competence management	Key personnel Training Recruitment Recognition for good performance	✓✓✓	✓✓
Stakeholder engagement	How stakeholders are involved in the company's activities	✓✓✓	✓
Programs	Environmental and social programs aimed at improving the company's own performance	✓✓	✓✓

✓ = few; ✓✓ = several; ✓✓✓ = most companies

Most companies make use of seminars, courses and networks, and increasingly, of multi-media (video screens, CD-rom and intranet) to train staff on sustainability issues. The reports include some innovative ways of educating staff, including McDonald's "Hamburger University" and Ito-Yokado's sign language training for communication with customers with hearing difficulties.

"Annual surveys are carried out to evaluate the personnel's job satisfaction. Kesko's corporate image and attractiveness as a workplace are assessed by in-Group and external surveys."

Kesko, Corporate Responsibility at Kesko in 2001, www.kesko.com

Stakeholder engagement

All reports include information on their involvement with stakeholders, although, the nature of engagement varies (Table 6).

Companies mostly report on what they do for stakeholders rather than how these stakeholders are involved in the company's activities and in achieving the company's strategic sustainability objectives. The most common approach taken is to produce reports specifically aimed at the community with information on how the company has contributed to the wider community through charitable donations, sponsorships, fundraising activities and training and development programs. This "one-way" engagement with stakeholders is the reason for a

relatively low average score (28 per cent) and highest score (42 per cent) for “stakeholder engagement” in the Spiderweb in Figure 4.

Table 6: Nature of engagement with stakeholder groups by all reporting trade and retail companies.

Stakeholder group	Reported nature of engagement
Employees	Measures to improve employment conditions
Investors	Providing information Paying dividends Annual shareholder meetings
Customers	Training and information sessions Newsletters and magazines Customer counters and store guides Surveys, roundtables
Suppliers	Joint projects to support environmental and social performance throughout the product life cycle Financial and advisory support
Community groups, NGOs and research/academic institutions	Training Charitable donations, grants, sponsorship Staff involvement in community projects or fund raising activities Partnership to improve the environmental or social performance of the company Development support of initiatives, projects or standards
Trade associations and Government authorities	Participation in panels and groups Contribution in form of taxes, fees and duties Awards for outstanding environmental and social performance
Media	Communication about the company’s environmental and social performance

Programs

Many companies include information on the establishment of internal programs or participation in external programs to improve a company’s own environmental or social performance. The majority of companies only report on programs in place covering specific environmental impacts, mainly energy, packaging or waste, and include little information on these programs. Few companies report on social programs and those that did focused on health and safety and working conditions. This contributed to a lower average score of 32 per cent for the eleven companies.

Metro AG established a logistics subsidiary for the organisation and control of all transport activities, aimed at organising trips so that all goods arrive at the right place and the right time in the minimum of trucks, and introduced a “full load policy”. This has resulted in annual reductions of 50 million tonne kilometres, saving time, money and 6,000 tonnes of CO2 emissions.

Metro AG, *Environmental Report 2000*, www.metro.de

Sustainability performance

Economic, environmental and social performance of operations

In most cases, companies describe their performance and provide total figures for a small number of indicators only. A few companies, mostly Japanese, include detailed information such as normalised indicators breakdown into sub-indicators, (for example, electricity, gas, petrol) or comparisons with previous years, goals and targets. Few report data that have been verified by a third party.

Despite these comments, the surveyed companies report on a wide range of performance indicators. Examples of indicators and an overview of the number of reports that include information and detailed information are provided in Table 7 below. The average Spiderweb score is 29 per cent for reporting economic performance and 36 per cent for environmental and social performance.

Table 7: Sustainability performance information in international trade and retail reports.

Performance area	Examples of indicators	Reports including information	Reports including detailed information
Financial / economic / business	Revenue, sales Employee wages Purchases from suppliers Dividends paid to shareholders Taxes paid to the government Donations to the community	✓	✓
Environmental	Energy and water use Shopping bags used Waste and emissions generated Paper recycled Reafforested areas Environmental damage costs	✓✓✓	✓✓
Social	Staff job satisfaction Level of absenteeism Lost time injuries Percentage of women in management functions Investment in training	✓✓	✓✓

✓ = few; ✓✓ = several; ✓✓✓ = most companies

Product performance

The reports examined contain a reasonable amount of information on “product performance,” perhaps due to the product focus of companies in the trade and retail sector. European companies lead the way in product reporting. This resulted in a 41 per cent average and 80 per cent highest Spiderweb score for eleven companies. The following activities are reported:

- Conducting life-cycle assessment for products, which involves reviewing the environmental impacts of products from production to disposal;
- Participating in product take-back schemes, which are based on the principle that the manufacturer is ultimately responsible for taking back and recycling their products, such as white goods and mobile phones. Such mandatory and voluntary schemes are being introduced around the world, in particular in Western Europe;
- Providing eco-friendly and eco-labelled products to customers, which identify organic and GMO-free food, eco-products such as timber, appliances and clothing, and animal friendly products such as free-range eggs. In Australia, the Australian Environmental Labelling Association coordinates a national environmental labeling program designed to give clear and credible information to consumers on the environmental impact of different products sold on the Australian market;²⁰ and
- Providing people friendly products that are produced in a socially responsible manner.

Sainsbury's and **SOK** report providing products that carry the Fairtrade Mark, an independent consumer label, which guarantees a fair deal for marginalised workers and small-scale farmers in developing countries. Sainsbury's sells more than 20 different Fairtrade products, such as tea, coffee, chocolate, muesli bars and fruit. Sainsbury's report included a detailed question and answer section on fair and ethical trade.

Innovations

A relatively large number of companies report on product, process and service innovations, and the application of environmentally sound technologies, research and development activities. The average Spiderweb score for this category is 31 per cent and the highest score 80 per cent.

Areas where innovations are applied included packaging, store accessories, advertising materials, shopping centres and retail outlet development, and cleaning. Some companies discuss the huge potential of “virtual shopping,” that would allow customers to email orders to the food store, thereby achieving financial benefits and environmental benefits through less packaging and improved customer service.

One customer's voice made a change – “I wish that I could take my groceries home in a store basket without the need to transfer them to a bag first.”

AEON, *AEON Environmental Report 2001.*
<http://www.aeongroup.net/>

Conclusion

The reasons for sustainability reporting and the type and score of reports vary between trade and retail companies, and are influenced by the company's home country.

Our assessment of the reports by eleven trade and retail companies against the reporting components suggested by the GRI guidelines, and a further evaluation of content for all 24 trade and retail companies that produced reports in English, reveals that companies:

- Mostly report on what they do for stakeholders, in the form of a community report, rather than how these stakeholders are involved in the company's activities and in achieving the company's strategic sustainability objectives;
- Report on a wide range of environmental, social and economic performance indicators, although the level of detail varied and few companies had their data verified by a third party;
- Report in more detail on the application of environmental innovations and the environmental and social performance of their products, due to the nature of their business; and
- Often report on the benefits achieved through improving their environmental and social performance, including enhanced reputation, financial savings, staff satisfaction and reduced environmental impacts.

Australian trade and retail companies can benefit from experience gained by their overseas counterparts in the preparation of their environmental, social or sustainability reports.

²⁰ www.aela.org.au

Part Three – The Next Step

There is a significant opportunity for Australian trade and retail companies to further enhance their positioning with key stakeholders through the implementation and further enhancement of sustainability reporting practices.

The production of a sustainability report gives an organisation the opportunity to gain a more comprehensive view of the environmental aspects of its operations, as the information presented to its stakeholders is generally developed through examining current systems/processes and planning cost-effective improvements.

Firstly, an environmental assessment allows a close look at current operating practices. Energy and material use is recorded, including any waste occurring during operations. Secondly, the organisation identifies areas where resource savings and waste reduction could be made and sets targets for these improvements. Thirdly, systems are set up to meet the targets, monitor progress, identify ongoing improvements and develop formats for reporting performance and progress.

There are a number of guidelines to assist companies in reporting. An overview is provided in KPMG's reporting survey (2002). For Australian trade and retail companies the following are most relevant:

- **Environmental reporting.** Environment Australia has published *A Framework for Environmental Reporting – An Australian Approach* and *An Australian Guide to Indicators and Methodologies for Public Environmental Reporting*, available at <http://www.ea.gov.au/industry/sustainable/per/publications.html>.
- **Social reporting.** The Institute of Social & Ethical Accountability in the UK has developed the AA 1000 standard for social and ethical accounting, auditing and reporting.
- **Sustainability reporting.** One of the most recent developments has been the establishment of the Global Reporting Initiative (GRI) by the Coalition for Environmentally Responsible Economies (CERES), which launched its revised “2002 Sustainability Reporting Guidelines” in August 2002. <http://www.globalreporting.org/>. These guidelines attempt to incorporate the best features and practices of other guidelines to produce common standards for company reporting of environmental, social, ethical, and economic information. The guidelines consist of five parts:
 - Introduction: Overview of the trends driving sustainability reporting, the interest in GRI, and the benefits of reporting.
 - Part A: Using these Guidelines - General guidance on use of the Guidelines.
 - Part B: Reporting Principles - Principles and practices that promote rigorous reporting, and underlie the application of the Guidelines.
 - Part C: Report Content - The specific content of a GRI report, and guidance on compiling the report.
 - Part D: Annexes - Additional guidance and resources for using the Guidelines.
- **Web-based reporting-** The Association of Chartered Certified Accountants (ACCA) produced ‘*Environmental, Social and Sustainability reporting on the world wide web: A guide to best practice*’ which gives guidance on how to report on the web, and its shortcomings. www.accaglobal.com/publications/environment.

There are numerous websites on reporting, but the following two websites include a database of published reports:

- Environment Australia: <http://www.ea.gov.au/industry/sustainable/per/>
- Corporate Register: www.corporateregister.com

Appendix A – References

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Appendix B - Trade and retail companies in the *BRW Top 1000*

The Australian trade and retail companies included in the survey are those included in the Food Retail and Personal and Household Goods Retail sectors of the BRW 1000 company list of November 2001.²¹ The 43 companies listed below were included in the survey.

Retail: food (ANZSIC G52)

#	Company (Balance date)	Revenue (A\$m)	Revenue Rank	Company type
1	Coles Myer	24,811.5	4	Public Listed Company - Industrial
2	Woolworths	21,648.9	7	Public Listed Company - Industrial
3	Franklins	4,014.8	40	Public Non-listed Company - Foreign
4	Foodland	3,857.5	42	Public Listed Company - Industrial
5	Quix Food Stores	874.0	212	Proprietary Company - Foreign
6	McDonald's	773.9	245	Public Non-listed Company - Foreign
7	Tricon Restaurants	626.8	307	Proprietary Company - Foreign
8	7-Eleven Stores	537.5	349	Proprietary Company
9	Competitive Foods	363.0	496	Proprietary Company
10	Smokemart	323.8	555	Proprietary Company
11	Fresco Supermarkets	191.9	843	Proprietary Company

Retail: personal/household goods (ANZSIC G51)

#	Company	Revenue (\$m)	Revenue Rank	Company type
1	David Jones	1,800.5	85	Public Listed Company - Industrial
2	Warehouse Group	1,373.0	125	Proprietary Company - Foreign
3	Harvey Norman	690.3	273	Public Listed Company - Industrial
4	Miller's Retail	650.7	290	Public Listed Company - Industrial
5	Nuance Group	624.2	308	Proprietary Company - Foreign
6	Spotlight Stores	467.4	393	Proprietary Company
7	Brazin	399.5	460	Public Listed Company - Industrial

²¹ <http://www.brw.com.au/brwlists/top1000Nov2001/Nov2001top1000.asp>

8	Sussan Corporation	390.7	469	Proprietary Company
9	Just Jeans	384.6	475	Public Listed Company - Industrial
10	Office National	349.2	516	Public Non-listed Company
11	James Richardson	347.2	517	Proprietary Company
12	Pacific Retail Group	331.9	539	Public Listed Company - Industrial
13	Colorado Group	325.3	552	Public Listed Company - Industrial
14	Barbeques Galore	304.5	590	Public Non-listed Company
15	Country Road	272.4	642	Public Listed Company - Industrial - Foreign
16	Super A-Mart	255.8	678	Proprietary Company
17	BIL Australia	249.6	692	Proprietary Company – Foreign
18	Priceline	249.2	693	Proprietary Company – Foreign
19	Freedom Group	243.2	708	Public Listed Company - Industrial
20	Strathfield Group	232.5	736	Public Listed Company - Industrial
21	Rebel Sport	226.8	753	Public Listed Company - Industrial
22	AnGreat Universal Stores & Coote	216.3	772	Public Listed Company - Industrial
23	Lowes-Manhattan	187.0	857	Proprietary Company
24	DFS Australia	176.1	884	Proprietary Company - Foreign
25	JB Hi-Fi Group	175.0	889	Proprietary Company
26	Toys "R" Us	161.9	946	Proprietary Company - Foreign
27	Forty Winks	156.0	968	Proprietary Company
28	Thorn Australia	155.0	970	Proprietary Company - Foreign
29	Avon	151.3	984	Proprietary Company - Foreign
30	Roger David	150.9	985	Proprietary Company
31	Amway	150.8	987	Public Non-listed Company – Foreign
32	AnGreat Universal Stores & Robertson	149.3	998	Proprietary Company - Foreign

Appendix C - List of international trade and retail reporters

The table below lists the international trade and retail companies that have produced public environmental, social or sustainability reports. The reports in *italic* have been published since this survey was conducted.

NAME	Country	Report Name	Trade & retail activities	Internet address
AEON	Japan	AEON Environmental Report 2001 <i>AEON Environmental Report 2002</i>	Food and personal goods retail	www.aeongroup.net
Axfood	Sweden	Axfoods miljööredovisning 1000	Not determined	www.axfood.se
Cargill Ltd.	Canada	Cargill Environmental, Health and Safety Report <i>Cargill Citizenship Report</i>	Food wholesale and distribution	www.cargill.com
Coop ¹	Norway	Miljørapport	Not determined	www.coop.no
Diaei ¹	Japan	Kankyomondai Shakaikoken heno Torikumino Hokoku 2001 nenban	Not determined	www.daiei.co.jp
Dixons Group	UK	Dixons in the community Dixons in the environment	Consumer electronics retail	www.dixons-group-plc.co.uk
FDB Koncernen ¹	Denmark	FDB's Miljørapport	Not determined	www.fdb.dk
Great Universal Stores	UK	Corporate Social Responsibility	Personal / luxury goods retail	www.gusplc.co.uk
Group Auchan ¹	France	Not determined	Not determined	www.auchan.com
Home Depot	USA	The Home Depot Social Responsibility Report 2000 <i>The 2001 Social Responsibility Report</i>	Do-it-yourself hardware retail	www.homedepot.com
Itochu Corporation	Japan	Environmental Report 2001 <i>Environmental Report 2002</i>	Clothing/textile and food retail	www.itochu.co.jp
Ito-Yokado	Japan	Sustainability Report 2001	Food and personal goods retail	www.itoyokado.iyg.co.jp
J.C. Penney	USA	Support for America's Communities	Retail department stores	www.jcpenney.com
Kawasho ¹	Japan	Not determined	Not determined	www.kawasho.co.jp

NAME	Country	Report Name	Trade & retail activities	Internet address
Kesko	Finland	Corporate Responsibility at Kesko in 2000 <i>Corporate Responsibility Report 2001 – building for a better tomorrow</i>	Retail marketing and logistics development	www.kesko.com
KF ¹	Sweden	Tilltro till särarten	Not determined	www.kf.se
Kingfisher	UK	Twenty-first century commitment to responsible growth	Home improvement, electrical and furniture retail.	www.kingfisher.co.uk
LVMH ¹	France	Créatif par nature	Not determined	www.lvmh.fr
Marubeni Corporation	Japan	Environmental Report 2001 <i>Environmental Report 2002</i>	Wholesalers to and partnerships with retailers, including clothing and consumer goods	www.marubeni.co.jp
McDonald's	USA	Corporate Social Responsibility Report	Fast food chain	www.mcdonalds.com
Metro AG	Germany	Environmental Report 2000 <i>Sustainability Report 2002</i>	Retail department stores	www.metro.de
Mitsubishi Corporation	Japan	Environmental Sustainability Report 2001	Warehouses	www.mitsubishi.co.jp
Mitsui & Co Ltd	Japan	Environmental Report 2001	Consumer products and services group includes retail, food and textiles.	www.mitsui.co.jp
Møller Gruppen AS ¹	Norway	Miljørapport	Not determined	www.moller.no
Mycal ¹	Japan	MYCAL No Yakusoku - Kankyo Repohto 2001	Not determined	www.mycal.jp
Nissho Iwai Corporation	Japan	Environment Report	Food and personal/household goods wholesaling, trading, and warehouses	www.nisshoiwai.co.jp
Norks Kjøttamvirkit ¹	Norway	Miljørapport	Not determined	No website
Royal Ahold	Netherlands	Ahold Status Report Corporate Social Responsibility 2001 From Farm to Fork, Ahold and the environment Status Report 2000 <i>Ahold Corporate Social Responsibility Report</i>	Food retail /supermarkets	www.ahold.nl

NAME	Country	Report Name	Trade & retail activities	Internet address
		<i>2002</i>		
Sainsbury's (J)	UK	Social & environment report (web pages only) <i>Environment Report 2002 – Being Greener</i>	Food retail /supermarkets	www.j-sainsbury.co.uk
SOK Corporation	Finland	Environmental & Security Report 2000 <i>SOK Corporate Environmental Report 2001</i>	Food and personal goods retail	www.s-kanava.net
Sophus Berendsen	Denmark	Environmental Status for Textile Service <i>Environmental Profile 2001</i>	Textile services to retail and textile wholesale	www.berendsen.com/
Sumitomo Corporation	Japan	Environmental Report 2001	Food and personal goods retail	www.sumitomocorp.co.jp
Supervalu	Japan	Report to the Community 2001	Food retail and distribution	www.supervalu.com
Svenska Lantmännen ¹	Sweden	Miljöredovisning 1000	Not determined	www.lantmann.se
Takashimaya ¹	Japan	Kankyohozen Syakaikoken Katsudo Report 2001	Not determined	www.takashimaya.co.jp
The Warehouse	New Zealand	Triple Bottom Line Report 2001	Retail department stores	www.thewarehouse.co.nz
Tradeka Corporation	Finland	Annual Report 2000 <i>Annual Report 2001</i>	Food retail /supermarkets	www.tradeka.fi

¹ Reports were not available in English and were therefore excluded from the detailed analysis of reports.

Appendix D - Current best practice in trade and retail reporting – detailed examples

This appendix provides examples of information reported by surveyed trade and retail sustainability reports listed in Appendix B. Examples identified in this analysis, which highlight current best practice for the surveyed trade and retail reports, are given for each dimension. A relatively small proportion of the reports provide most of the examples cited. They are AEON, Home Depot, Ito-Yokado, Kesko, Metro AG, and SOK. This reflects a higher level of detail and quality of these reports. In addition, the best examples for the trade and retail sector have been included. While several companies surveyed are also involved in other activities, for example, the production of food and beverages, wholesale activities or services to the trade and retail sector.

Vision and strategy and profile

Topic	Current Best Practice Examples
CEO statement	<ul style="list-style-type: none"> ■ Metro AG's report includes a CEO statement in the form of three questions and answers, including the importance of sustainable development on Metro AG's own perception, the impact environment has on business decisions and the importance for all staff to talk about the environment.
Strategy	<ul style="list-style-type: none"> ■ Royal Ahold detailed a vision and bases its priorities around the company's role as a food provider, employer, operator and a citizen in society. ■ Marubeni includes a business model for a "sustainable recycling society." ■ Kesko dedicated a full section to the company's view of corporate responsibility, including a vision of key factors in corporate responsibility, response strategies, areas of economic, environmental and social influence, and future developments in the trading sector and society as a whole. ■ Kingfisher published a full "plan for corporate social responsibility" that identifies the range of economic, environmental, and social issues, builds the business case for action, prioritises issues based on twelve trends in society, and determines next steps and targets.
Profile	<ul style="list-style-type: none"> ■ Royal Ahold includes an overview of sales and the number of stores per continent in the front of the report and a more detailed corporate profile in the back.

Sustainability Management

Topic	Current Best Practice Examples
<i>Management Systems</i>	
Policies and codes of conduct	<ul style="list-style-type: none"> ■ Sophus Berendsen expresses its environmental policy in the form of "10 principles for Good Environmental Behaviour." ■ Metro AG lists 6 environmental commitments. ■ Cargill outlines environmental, health and safety goals. ■ Some companies mention specific policies, such as SOK's security policy and Royal Ahold's refrigeration policy.

Topic	Current Best Practice Examples
	<ul style="list-style-type: none"> ■ Kesko refers to its seven values, which were defined on the basis of a staff and retailers survey, and include: responsibility, respect for other people, co-operation, profitability, an enterprising spirit and continuous improvement. ■ Great Universal Stores outlines the most important elements of its ethical conduct by stakeholder group.
Management systems and auditing	<ul style="list-style-type: none"> ■ AEON includes a detailed “Plan-Do-Check-Action” overview of components of its environmental management system (EMS) ■ SOK explains the status of its EMS for each division. Japanese companies are leading in reporting on certification of their systems to ISO14001 (environment) and ISO9000 (quality) standards. ■ Marubeni aims for a single certification for all its businesses and describes three types of audits conducted on its systems. Marubeni discusses environmental assessments of projects to identify potential major financial implications. ■ Sophus Berendsen reports on the status and targets for establishment of an ISO14001 certified EMS and integrating systems for quality, health, safety and environment. ■ AEON includes detailed tables linking its environmental policy, objectives, targets and achievements. ■ Royal Ahold includes a detailed section with past achievements and future goals for The Netherlands, the USA and other markets. ■ Dixons’ included both management and performance targets. ■ Kesko has developed an ethical quality control system based on the UN Universal Declaration of Human Rights, the Convention of Rights of the Child, and the International Labour Organisation (ILO) key conventions, and its implementation is assessed against the Social Accountability (SA) 8000 standard.
Supplier and contractor requirements and auditing	<ul style="list-style-type: none"> ■ SOK’s subsidiary Intrade Partners Oy uses surveys, and one survey of trading partners found that 25% of respondents pay attention to ethical requirements in their supplier’s production and another 12% considered adopting the SA 8000 standard. ■ Royal Ahold believes in the “trust but verify” principle, and increasingly uses third party audits to verify vendors’ methods of guaranteeing food safety and product quality. ■ Home Depot requires wood vendors to document the origin of their wood products.
Compliance with legislation, standards and codes of practice	<ul style="list-style-type: none"> ■ Ito-Yokada lists all relevant Japanese laws and regulations it must comply with. ■ Metro AG reports on abiding by the code of conduct for goods procurement as a member of the Foreign Trade Association of the German Retail Trade (AVE) ■ Sainsbury’s report describes working with its own-brand suppliers on the development and implementation of a Code of Practice for socially responsible sourcing based on the International Labour Organisation standards ■ Kesko reports being the first Finnish company to commit to the sustainable development business charter by the International Chamber of Commerce.

Topic	Current Best Practice Examples
	<ul style="list-style-type: none"> ■ Coles Myer and Woolworth's report on their commitment to the National Packaging Covenant.
<i>Staff competence management</i>	
Dedicated staff	<ul style="list-style-type: none"> ■ Positions mentioned include site, departmental, national or corporate coordinators or managers, corporate environmental departments or committees, and specialist positions in relation to environmental and social issues. ■ Some also included environmental or social organisation charts, such as Nissho Iwai Mitsubishi and Marubeni. ■ Royal Ahold established a global network to drive synergy while maintaining local autonomy with groups that focus on corporate social responsibility related topics such as diversity, food safety, energy, refrigeration and storage.
Training	<ul style="list-style-type: none"> ■ Metro AG uses in-house broadcasts to educate staff about work-related issues. The report gave an example of an environmental broadcast in which two people discuss the need for the disposal of fluorescent tubes, followed by showing, on location, how and where the tubes are recycled. ■ Metro AG reports working together with local vocational training colleges to enhance coordination between theoretical training and practical requirements and giving lectures and workshops at academic institutions and universities. ■ McDonald's established the Hamburger University for staff training. ■ Ito-Yokado provide sign language training to staff for communication with customers with hearing difficulties.
Recruitment	<ul style="list-style-type: none"> ■ Metro AG reported on the establishment of assessment centres, presentations and company visits to select potential trainees and staff for specific posts and to give candidates an impression of their future workplace. ■ Kesko conducts internal and external surveys to assess the company's corporate image and attractiveness as a workplace. ■ Home Depot forges relationships with governments, non-profit and school boards to recruit and, for example, recruited more than 50 people through a welfare-to-work agency. ■ Coles Myer had 4,200 staff participate in traineeships in the 2001 financial year. ■ Metro AG established the "Metro Academy" for internal candidates for senior executive and board positions whereby they are assigned a Board member as mentor and attend seminars to deliver international, retail specific and company related knowledge. ■ Kesko promotes staff's participation in the planning and development of operations and focuses on activities that maintain working capabilities and in-house job rotation
Performance appraisal	<ul style="list-style-type: none"> ■ Feedback mechanisms on how staff member's potential is being assessed and how needs for further qualification and development, bottom-up assessment where staff assess their managers, and annual surveys to measure staff's job satisfaction.

Topic	Current Best Practice Examples
	<ul style="list-style-type: none"> ■ Environmental responsibilities in job descriptions, are outlined although few mention if and how environmental and social performance is incorporated in job appraisals and remunerations
<i>Stakeholder engagement</i>	
Employees and operators	<p>Improved working conditions, including:</p> <ul style="list-style-type: none"> ■ Flexible working hours. For example, Metro AG reported adapted working hour schedules to take into account higher customer frequency on weekends, combined with managers training to plan and implement customer frequency based manpower deployment. ■ Maximum working hours. For example, Metro AG introduced quarterly working hours targets and monitors that the actual worked hours in each quarter is not more than 45 hours below or above the target. ■ Part-time employment and job sharing for employees approaching retirement age or returning from maternity leave, including reduced weekly working hours or working during part of a certain period only. ■ Employment of long-term unemployed people or people with disabilities. For example, Ito-Yokado reports arranging stores to facilitate employment of people with disabilities. Woolworths included case studies on the contribution employees with disabilities make to their business. ■ Compensation payments or offering alternative jobs as a result of restructure and site closures. ■ Paid maternity leave. ■ Home-based workplaces, i.e. teleworking. ■ Support to work abroad. <p>Companies reported on the following ways in which they engage employees:</p> <ul style="list-style-type: none"> ■ Forums, to enhance the flow of information between management and staff. ■ Annual surveys to evaluate staff members's job satisfaction. The Warehouse conducts surveys to assess staff's belief in the company's "People First" policy with questions like "I believe The Warehouse is where people come first." ■ Information dissemination to staff. For example, Ito-Yokado has an online "Customers Voice" bulletin board where staff can access customers' opinions anytime. SOK's personnel magazine and intranet site lists environmental actions, plan of actions and information about current environmental affairs. Department stores of its subsidiary Sokos received posters depicting everyday environmental themes to be hung in the staff changing and resting rooms.
Investors	<ul style="list-style-type: none"> ■ Kesko reported maintaining regular contact with representatives of the capital market and giving its shareholders information about company operations on its websites and a their own magazine. ■ Global Universal Stores stated that shareholders funds are not to be given away for political purposes without shareholders

Topic	Current Best Practice Examples
	<p>permission. They also reported that their inclusion in socially responsible investment (SRI) funds, including FTSE4Good and the Dow Jones Sustainability Group Index. The Dixon's Group also reported its inclusion in the FTSE4Good index.</p>
Customers	<ul style="list-style-type: none"> ■ Training/information sessions. Metro AG tried to raise young people's awareness of environmental and social issues by taking a group of students on an excursion to trace a pair of jeans back to its origins and invited guest speakers to discuss environmental protection and child labour. Students also participated in a competition to come up with ideas to improve the way that jeans are produced and marketed in a more sustainable way. ■ Newsletters/magazines were generally company-wide circulars that include environmental and social information. For example, SOK disseminated information on the environment to customers through a magazine, brochures, ecological experts, bulletin boards and public events. ■ Information on products. For example, McDonald's provides nutritional information on menus and websites. ■ Complaints counters, present in most large shops and supermarkets. ■ Customer surveys to measure customer satisfaction and eliminate weak spots, such as visibility of special offer merchandise, checkout speed, helpfulness of sales staff, and replacement of defective items. AEON lists environmental issues raised in its customer questionnaire in the report. ■ Customer round tables, such as those organised by Metro AG and Ito-Yokado. ■ Customer-focused retail businesses. Kesko reported that it plans and builds retail concepts, product selections and marketing campaigns that interest consumers, and implements them in cooperation with retailer chains. Ito-Yokado provides stores with registers with priority for customers with disabilities, and installs Braille tiles on floors and a Braille store guide.
Suppliers	<ul style="list-style-type: none"> ■ Royal Ahold supports US farmers to maintain the social and economic fabric of farm-based communities and reduce transport distances. ■ Woolworths reported buying only Tasmanian salmon for the food department and other initiatives specifically designed to support rural and regional Australia.
Community groups, NGOs and research and educational institutions	<ul style="list-style-type: none"> ■ Training. JC Penney established a multi-million dollar educational initiative, JC Penney Afterschool, which seeks to increase the number and quality of curriculum-based afterschool programs for youth. ■ Charitable donations, monetary or in kind. Examples include Metro AG's donation to the "Give Trees a Chance" an initiative of the World Wide Fund for Nature (WWF) to preserve forests. Royal Ahold's and Supervalu's food supply through US foodbanks for low income people. Some companies set up foundations for charitable programs, such as Supervalu, whose foundation focuses on five key areas: hunger relief, education, workforce development and self-sufficiency, arts education, and social services. Interestingly, 7-Eleven also reports on what it does not

Topic	Current Best Practice Examples
	<p>fund.</p> <ul style="list-style-type: none"> ■ Grants. Home Depot provides grants for research and education projects in the area of green building practices, forestry, clean-up and recycling, and lead poisoning prevention. ■ Sponsorship. Sainsbury's supported the Fairtrade Fortnight, an annual UK event organised by the Fairtrade Foundation to raise awareness of their products and support disadvantaged and marginalised producers in developing countries. Home Depot sponsored an event held by the American Red Cross and local fire departments on home safety. Marubeni sponsored an environmental art contest for schools assembling 2,100 works from more than 120 schools. Dixon's also sponsored a range of community-based projects. ■ Staff involvement. Home Depot encourages staff to participate in projects in four areas of affordable housing, at-risk youth, preserving and protecting the environment, and disaster response. Coles in Darwin exchanged staff with the Arnhemland Progress Association to promote cultural awareness and share best practices in their respective environments. ■ Fund raising activities. Woolworths raised around A\$1.2 million in 2001 for the Australian Red Cross, the Guide Dogs Association, the Smith Family and the Cancer Council through the sales of merchandise in its stores. ■ Partnerships. Home Depot works in partnership with non-profit organisation the Natural Step to make business areas more environmentally sustainable. ■ Development support. Sainsbury's reports its involvement in the Ethical Trading Initiative (ETI), an association which it co-founded and which brings together retailers, trade unions and international charities like Oxfam and Christian Aid, to agree standards for third world suppliers and methods for monitoring performance. ■ Royal Ahold consulted with local and global stakeholders who identified food safety, food integrity and origin, labour standards and diversity as the most important issues.
Trade associations and Government agencies	<ul style="list-style-type: none"> ■ Participation in panels and groups. Kesko lists international and EU organisations, Finnish Ministry groups and programs, and Finnish business associations and chambers in which it is active. For example, they give state authorities expert views on the development of industrial policy and regulations concerning the trading sector and the economy. SOK provided a similar overview. ■ Contribution to well being of society. Kesko reported paying direct taxes and social security contributions and indirectly by collecting value added taxes and excise taxes, customs duties and by withholding payroll taxes.
Media	<ul style="list-style-type: none"> ■ Kesko reported communicating on a daily basis with the news media and initiating surveys to learn financial editors' views of Kesko and its communications. ■ A number of companies reported on awards they received for environmental or social initiatives, including their public reports. Examples include SOK, McDonald's and Sainsbury's.

Topic	Current Best Practice Examples
<i>Programs</i>	
Environmental	<ul style="list-style-type: none"> ■ One of SOK's subsidiaries reported participating in an environmental cluster project in a Finnish town aimed at expanding, deepening and establishing network cooperation at the company and regional level to improve environmental management of operators in the region. ■ AEON reported initiatives as part of the company-wide environmental program on a drawing of a store complex.
Paper	<ul style="list-style-type: none"> ■ Marubeni has a program in place to reduce paper use and its head office only uses recycled paper for documents, forms, printing and copying.
Energy	<ul style="list-style-type: none"> ■ Sophus Berendsen reported on its initiatives to reduce energy consumption and associated carbon-dioxide and sulphur-dioxide emissions for washing and drying textiles, including changing to more efficient machines, recovering waste heat and changing from heavy fuel to natural gas. ■ The SOK report estimated that the energy saving potential of Finnish retail outlet buildings is on average 9% with a 2.2-year payback on investments, and lists the most cost-efficient suggestions for saving energy.
Emissions	<ul style="list-style-type: none"> ■ Royal Ahold has a specific refrigeration policy and program to find long-term alternatives for ozone-depleting substances in refrigerants used in cooling systems. ■ Nissho Iwai's afforestation projects created more than 80,000 hectares of new forests worldwide to compensate for logging elsewhere and to offset greenhouse gas emissions. ■ Mitsubishi's report included a detailed section on actions to combat global warming, including case studies that are supported by diagrams and photographs.
Packaging	<ul style="list-style-type: none"> ■ SOK has worked with its goods delivery partners to develop a reusable plastic crate for perishables, "Transbox", that can be put directly on display without unnecessary intermediate stages, thereby reducing handling, packaging waste, costs and enhancing the quality of products. ■ McDonald's worked with the Environmental Defence Fund to change packaging, such as recycled unbleached carry out bags and recycled napkins and tray liners. ■ Several companies report the ban on use of PVC (vinyl) in packaging and recommend using polystyrene, although suppliers do not always know what plastic is used in their packaging. ■ Royal Ahold has set up a national pool system for re-usable plastic crates (RPCs) in several countries, including The Netherlands and Thailand.
Waste reduction and recycling	<ul style="list-style-type: none"> ■ SOK reported a reduction in landfilled waste to 5% through its program to segregate waste into recyclable waste, waste that can be used as an alternative fuel, and other waste. Notably, PVC (vinyl) is reported to reduce the overall grade of recycled fuel waste, with the biggest source being the price label strips on the edges of shelves. It also offers recycling services to customers,

Topic	Current Best Practice Examples
	<p>often in the form of deposit-return schemes, including beverage containers, tyres, textiles, electric and electronic waste and product packaging.</p> <ul style="list-style-type: none"> ■ AEON described its composting program reducing 23 tonnes of raw garbage to compost every day. ■ Coles Myers' supermarkets are a participant in the Waste Reduction Accreditation Program for Retailers (WRAPR), run by Clean Up Australia and involves sorting of waste, increasing recycling and promoting awareness among staff.
Water	<ul style="list-style-type: none"> ■ Royal Ahold reported on its Stop and Shop subsidiary's program in 25 stores in Connecticut to improve the quality of storm water run-off and its impact on water quality and aquatic habitats. Royal Ahold developed storm water management guidelines for all its US operating companies including preventative actions and maintenance checklists for store managers.
Conservation and biodiversity	<ul style="list-style-type: none"> ■ Sainsbury's reports on helping develop and launch of a Farm Biodiversity Action Plan that helps suppliers integrate wildlife conservation into the daily running of the farm.
Transport, in particular the transportation of goods to retail outlets	<ul style="list-style-type: none"> ■ Metro AG established a logistics subsidiary for the organisation and control of all transport activities, aimed at organising trips so that all goods arrive at the right place and the right time in the minimum of trucks, and introduced a "full load policy". This has resulted in annual reductions of 50 million tonne kilometres (one third from the Earth to the sun), saving time, money and 6,000 tonnes of CO₂. ■ Royal Ahold has a similar system and one of its subsidiary's trucks run on alternative fuels.
Supply chain programs, involving trade and retail companies working with suppliers.	<ul style="list-style-type: none"> ■ Royal Ahold works with suppliers at the farm level to increase integrated farming (using less chemicals and more natural crop protection systems) and organic farming (using no chemicals). ■ McDonald's has worked with its suppliers, the United Nations Environment Program and the US Environment Protection Authority to seek alternatives for ozone-depleting refrigerants used in the food service industry.
Social programs	<ul style="list-style-type: none"> ■ Working conditions. Royal Ahold reported on a Sustainable Coffee project, where a subsidiary company maintained a long-term relationship with coffee growers, by buying from them directly, giving advice on the best time to sell their coffee and how to improve their farming methods, and establishing programs to improve housing, healthcare and schools. The company also established a vocational training program for children aged 14 to 18 in Paraguay to avoid the employment and exploitation of children yet enable them to prepare to enter the labour market. ■ Safety. 7-Eleven has safety programs in place to deter crime in its shops. Initiatives have included the installation of satellite policing facilities inside or near a 7-Eleven store, and providing Slurpee coupons to police departments to "ticket" young people when they are observed exhibiting positive behaviour. Royal Ahold's Model Food Safety Plan requires local companies to have programs and procedures in place to continuously improve food safety practices.

Topic	Current Best Practice Examples
	<ul style="list-style-type: none"> Health. Home Depot's Warm-up to work campaign, involving doing lunges, side stretches, jumping rope and walking the perimeter of stores before morning rallies, began in a single store and grew to a full campaign.

Sustainability Performance

Topic	Current Best Practice Examples
<i>Indicators</i>	
Financial indicators	<ul style="list-style-type: none"> The Warehouse's Triple Bottom Line report included a summary of the audited results, including revenue, interest, tax, dividends and other financial indicators. Royal Ahold mentions that energy costs range from 0.75 to 1.5% of sales depending on the market area. SOK reported fees of FIM 49,526 paid to the Environmental Register of Packaging PYR, including an annual fee and a waste reclamation fee. 7-Eleven reported potential liabilities of US\$31 million for remediation work of underground gasoline storage tanks. Supervalu reported donating US\$155,500 for the Food Industry Hunger Crusade, broken down by each retail company. JC Penney's reported that its active and retired associates volunteered more than 233,000 hours to service agencies, the equivalent of US\$3.4 million in non-profit salaries. See Appendix F for a full list of financial and economic indicators reported
Environmental and social indicators	<ul style="list-style-type: none"> See Appendix F for a full list of environmental and social indicators reported
<i>Product performance</i>	
Life-cycle assessment	<ul style="list-style-type: none"> Sophus Berendsen reported on completed and planned comparative life cycle assessments of its products. For example, they required tablecloths made of paper, cotton cloths, mixed cotton/polyester, and polyester, finding that paper tablecloths use more energy and produce more waste and cotton cloths use more water. SOK uses materials flow charts to review the manufacture of their products to make the process more efficient and reduce the environmental load, and includes an example for seeds in their report.
Product take-back	<ul style="list-style-type: none"> Product take-back schemes are based on the principle that the manufacturer is ultimately responsible for taking back and recycling their products. Such mandatory and voluntary schemes are being introduced around the world, in particular in Western Europe. Trade and retail companies report on how they assist industry, on a voluntary basis, by allowing consumers to take back products to retail outlets, mostly defunct appliances, including white goods (kitchen appliances, like cookers, refrigerators and mixers), brown goods (like hi-fi systems, TV sets and PC equipment), and small equipment (razors, mobile phones). These

Topic	Current Best Practice Examples
	<p>collected products are subsequently sent to specialist recyclers. Dixons initiated a product take-back program with local unemployed learning skills to repair used goods.</p>
Organic food	<ul style="list-style-type: none"> ■ Metro AG established the company's own "Grünes Land" (Green Land) brand and achieved sales of approximately AU\$16.5 million per year. They market approximately 130 products that include pasta, rice, other cereals, spreads, soups and sauces. Ingredients of these products are produced in accordance with the strict guidelines of the EU Organic Farming Regulation. Green Land enables customers, including households and wholesale outlets, such as restaurants, to adopt sustainable consumer behaviour by purchasing eco-products and is further promoted through conspicuous positioning on the shelves and product sampling campaigns.
GMO-free food	<ul style="list-style-type: none"> ■ Many companies reported that due to consumer concern in relation to food containing genetically modified organisms (GMOs) ingredients, they introduced labelling requirements for suppliers that indicate if a product contains GMOs, or eliminated GMO products from their own brand food products. Royal Ahold labels product as it does not object to responsible biotechnology but believes that the customer has the right to know. ■ Sainsbury's replaced genetically modified soy and maize in more than 4,000 products, and ensures that chicken, beef, pork products are obtained from animals that were fed on a non-GMO diet. Sainsbury's recognises that GMOs may be required for the sustainability of the farming industry and acknowledge that GMOs in some instances bring environmental benefits. ■ SOK's own Rainbow label products are also free from GMOs.
Non-food eco-friendly products	<ul style="list-style-type: none"> ■ At the home improvement store chain of Metro AG and HomeDepot, the customer can identify timber that comes from sustainable plantations and near-natural forests because it is marked with the seal of quality of the Forestry Stewardship Council (FSC), which has already certified eight million hectares of forests worldwide. ■ The Nordic Swan and the EU flower eco-labels, which are used for a range of products, are often mentioned. ■ Tradeka and SOK sell textiles and clothing with the Öko-Tex Standard 100 label. ■ Home Depot sells energy-efficient merchandise with the Energy Star logo, such as refrigerators, thermostats, and fluorescent bulbs. ■ AEON indicates the percentage of recycled paper content on own-brand packaging. Ito-Yakodo developed an "Ecosys 28°C" clothing line, in response to the Japanese government's call to not set the air conditioning below 28°C, to maximise people's comfort at this temperature. ■ Companies also report on legislation, such as EU labelling requirements for packaging in the EU and compulsory eco-labelling requirements for lamps, refrigerators and washing machines in Finland.
Animal friendly products.	<ul style="list-style-type: none"> ■ The most widespread reported animal friendly products are chickens and eggs from free-range and deep-litter sources. ■ Outdoor-reared pork and bacon products were also mentioned.

Topic	Current Best Practice Examples
	<ul style="list-style-type: none"> ■ Another well-known example is “dolphin-friendly tuna” which are sourced from tuna suppliers who are affiliated to the Earth Island Institute, and who do not use drift nets that cause a “by catch” of dolphins, sharks, seals and sea-birds which often account for half of the entire haul.
People friendly products	<ul style="list-style-type: none"> ■ Similar to eco-products, consumers increasingly demand products that were produced in a socially responsible manner. Sainsbury’s and SOK report providing products that carry the Fairtrade Mark, an independent consumer label, which guarantees a fair deal for marginalised workers and small-scale farmers in developing countries. Sainsbury’s sells more than 20 different Fairtrade products, such as tea, coffee, chocolate, muesli bars and fruit. Notably, Sainsbury’s report included a detailed question and answer section on fair and ethical trade.
<i>Innovations</i>	
Packaging	<ul style="list-style-type: none"> ■ Sainsbury’s reports being the first UK retailer to use biodegradable packaging on its fruits and vegetables, made from potato starch with a biodegradable plastic laminate. ■ AEON’s “My Basket” campaign provides customers with a carry home basket to increase customer convenience and reduce the need for plastic bags. ■ Nissho Iwai developed a pallet from recycled steel coils that is 20% lighter than wooden pallets and reduces wood consumption.
Store accessories	<ul style="list-style-type: none"> ■ Staff uniforms and display mannequins at AEON are made from recycled PET bottles.
Advertising materials	<ul style="list-style-type: none"> ■ Metro AG reported on publishing magazines, mailing outs and leaflets in black and white and on recycled, non-chlorine bleached paper. ■ Metro AG adopted a new innovation to send out advertising in envelopes made by recyclable polyethylene foam rather than paper. Polyethylene production requires less energy and produces less pollution. They plan to produce all advertising with the digital Computer to Print (CTP) process, which less environmentally harmful chemicals.
Development of shopping centres and retail outlets	<ul style="list-style-type: none"> ■ Royal Ahold introduced several innovations addressing energy efficiency in stores and distribution centres, such as purchasing low-energy glass for its refrigeration cases that do not need to be heated to prevent condensation or frosting like conventional cooler doors. ■ Metro AG reported on including ecological principles in the development of shopping centres and retail trade real estate. They described how they have done this, for example, keeping soil sealing to a minimum, green roofs and plantings, eco-efficient technical installations, and supply of internal heat by the cooling systems.
Cleaning	<ul style="list-style-type: none"> ■ Metro AG has reported on environmental considerations in cleaning of stores by contractors aimed at “result oriented cleaning”, including cleaning appliances that require less chemicals, selecting cleaning agents with less environmental

Topic	Current Best Practice Examples
	impact, using environmentally friendly coating methods and reducing allergies, and keeping car parks and waste disposal stations clean to prevent buildings from becoming dirty. This results in reduced allergies amongst staff, preservation of assets, and reduced costs and environmental impact.

Other

Topic	Current Best Practice Examples
Glossary	<ul style="list-style-type: none"> ■ Marubeni and SOK included a detailed glossary of environmental terms used in their reports
Date	<ul style="list-style-type: none"> ■ Most, although not all, companies mentioned the publication date of the report, and Ito-Yokado also mentions the expected publication date for the next report.
Disclaimers	<ul style="list-style-type: none"> ■ As the interest in environmental and social information grows and is used to make investment decisions, such as the selection of companies in SRI funds, so does the risk that companies are held liable for any misrepresented information in the reports. Royal Ahold includes a disclaimer that certain statements in its report are “forward looking statements” and explained the limitations of these statements.
Layout and presentation	<ul style="list-style-type: none"> ■ Most reports are available in ‘pdf’ format, although some companies only provide their report as separate pages or sections on their website and in some instances printing these reports leaves large margins or cuts of texts at either side. ■ AEON’s report provides several schematic flows detailing, for example, direct and indirect environmental burden due to business activities, and waste reduction initiatives from producers to customers. ■ Mitsubishi used the image of a solar system to present the interrelationship between the company and its environmental activities and systems.
Reference to further information	<ul style="list-style-type: none"> ■ Some companies refer to other reports or websites for further information. Very few companies refer in their environmental/social report to the company’s financial report and vice versa, indicating that the production of these reports, and possibly the management of environmental, social and financial issues, are not fully aligned or integrated and that reports are aimed at different audiences. SOK mentioned the availability of its report in English and Finnish and where they can be found on their homepage.
Contacts and feedback	<ul style="list-style-type: none"> ■ All companies include contact details in their report, which can include the name of the company, street and postal address, phone and fax number, Internet address, a contact name.

Appendix E - Overview of sustainability indicators used by the world's largest reporting trade and retail companies

The following tables provide an overview of the economic, environmental and social indicators used in the analysed reports from trade and retail companies listed in Appendix C. The table structure is based on the 2002 GRI draft guidelines. It is noted that the tables in the GRI guidelines include quantitative indicators (eg amount of energy used) as well as qualitative indicators (eg existence and description of freedom of association policy). The tables below only mention quantitative indicators. Qualitative indicators have been discussed in Part Two.

Table 8: Economic performance indicators in surveyed international trade and retail public reports.

Economic indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
General			
Number of stores, outlets, operational facilities, distribution centres	Geographic location	Number	Per year
Selling space		Area (m2)	Per year
Customers			
Sales to customers	Year Geographic location Transaction type (imports, exports, international, domestic) Product Business unit or group	\$	Per year
Suppliers			
Number of suppliers		Number	Per year
Purchases from suppliers	International and domestic	\$	Per year
Employees			
Number of employees	Geographic location Business unit or group Full time and part time Gender International and domestic Age group Length of employment	Number	Per year or at year end
Monetary remuneration to employees	Type of remuneration (wages, pension, other benefits and redundancy payments) Full time and part time	\$	Per year
Providers of Capital			
Number of shareholders	International and domestic Business subsidiary	Number	Per year or at year end

Economic indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
Earnings per share		\$	Per year
Dividend yield		\$	Per year
Other financial indicators normally included in financial reports	Eg profits, net income, income before taxes, equity ratio, debt to equity ratio, gearing ratio, capital investment	\$ \$	Per year or at year end, or ratio
Public Sector			
Taxes and fees paid	Geographic location Business unit or group	\$	Per year
Subsidies received	Geographic location Business unit or group	\$	Per year
Indirect Economic Impacts			
Monetary contributions to the community	Money or time (in staff wages) contributed Geographic location Business unit of group Cause Sector	\$	Per year

Table 9: Environmental performance indicators in surveyed international trade and retail public reports.

Environmental indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
Materials			
Total green products purchased – quantity and costs		Number or \$	Per year or as ratio of total office products
Total packaging materials – quantity and costs	Material type (paper, plastic, etc) Packaging item (plastic bags, cups, lids, napkins etc) Reusable or recoverable packaging Reusable packaging returned for reuse	Number, weight (kg or tonnes), volume (m3) and \$	Per year
Shopping bags	Material (polyethylene, paper) Size (small, medium, large, extra large, jumbo)	Number and weight	Per year
Total paper used or purchased – quantity and costs	Type of use (copying, printing, publications etc)	Number of sheets or \$	Per year
Post-consumer recycled material content of materials used	Type (packaging, paper)	Percentage of total paper use	Per year

Environmental indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
Energy			
Direct energy use	Energy type (eg coal, oil, gas, electricity, fuel) Energy use (eg lighting, cooling, heating, transport) Business unit or group Renewable and non-renewable	Giga joules, kWh, MWh	Per year, unit of product, unit turnover, floor area, operating hour
Energy costs and savings	Cost type (eg investments, taxes, energy purchasing)	\$	Per year, unit of product, unit turnover, as % of operating costs
Water			
Total water use	Water source (town supply, ground water, rain water)	Litres, gallons or m3	Per year, unit of product, per floor area per hour
Total water reuse and recycling		Litres, gallons or m3	Per year, unit of product, unit of sales, as percentage of total water use
Total water costs and savings	Cost type (eg water use, fees, fines)	\$	Per year, unit of product, unit of sales
Biodiversity			
Afforested areas	Geographic location Business unit or group	Km2	Per year
Emissions to air, effluents and waste			
Greenhouse gas emissions		Tonnes CO2-equivalents	Per year, per unit of sales, per floor area per hour
Ozone depleting substances and emissions	Type of substance	Kg or tonnes	
SOx and NOx and other emissions		Kg or tonnes	Per year
Total waste generated – quantity and costs	Waste type (organic, wood, metal, glass, plastic, cardboard, paper, hazardous, radioactive) Destination (reuse, recycling, composting, incineration, landfill)	Weight (kg or tonnes), volume (m3) and \$	Per year
Waste sorting efficiency		Recyclable waste	As percentage of total waste

Environmental indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
Waste reduction	Eg cardboard boxes	Number, tonnes	Per year
Total recycling	Product type (aluminium cans, food trays, milk cartons, PET bottles, etc) Waste type (organic, glass, aluminium) Geographic location / region	Tonnes per year	As percentage or ratio of landfilled waste
No examples were found for effluents to water			
Suppliers			
No examples were found			
Products and Services			
Energy	Energy use, costs and savings. See under "direct energy use"		Per unit of product
Water	Use, reuse, recycling, costs and savings. See under "water"		Per unit of product
Total green products purchased – quantity and costs	See under "Materials"	Number or \$	As ratio of total office products
No examples found of indicators on environmental performance of products			
Compliance			
Number of employees in environmental management functions	Business unit or group	Number	
Certification to ISO 14001	Geographical location	Number of sites at end of year	
Number of monitoring companies or sites	Type of environmental input or output	Number at end of year	As percentage of total companies
Transport			
Distances travelled	Vehicle type (eg delivery vehicle) Product transported (perishables, apparel and household goods)	Miles, kilometres Reductions	Per year, per unit turnover
Fuel used for transport	Energy consumption in domestic distribution transport (could also be included under "energy" section)	Gallons, litres	Per year, per unit of turnover.

Environmental indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
Emissions in Transport	CO2 emissions	Tonnes	Per volume unit per day
Environmental expenditures			
Business area costs associated with environmental impacts	Type (capital investments, equipment and machinery, maintenance, operation) Type of prevention (air pollution, water, energy, waste) Type of waste disposal (recycling, landfill, incineration, treatment, other)	\$	Per year
Upstream/downstream costs associated with environmental impacts	Compliance costs, eg fees for disposal of packaging, fines	\$	Per year
Management activity costs	Systems: implementation, certification, operation including consultancy costs Environmental education/training Personnel	\$	Per year
Research and development (R&D) costs	Type of project	\$	Per year
Environmental conservation costs related to social activities	Type (donations, staff time, information disclosure, conservation activities)	\$	Per year
Environmental damage costs	Eg soil remediation	\$	Per year

Table 10: Social performance indicators in surveyed international trade and retail public reports

Social indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
Labour Practices and Decent Work			
Employment			
Number of employees	Geographic location Business unit or group Full time, part time, full time equivalents International and domestic Length of employment Directly employed, contractors	Number at end of year	As percentage of total number of employees
Employee turnover	New, left, retired	Number at end of year	As percentage of total number of employees
Job satisfaction of staff		Number or percentage	
Number of staff working from home		Number Financial savings (\$)	Per year, as percentage of total workforce
Total working hours	Average or maximum	Number of hours	Per person, per week, quarter, year
Total staff monetary remuneration	Type of remuneration (wages, pension, other benefits and redundancy payments) Average, minimum, maximum salary	\$	Per year, per person
Labour Management / Relations			
Percentage of employees with union membership		Percentage of total staff	
Health and Safety			
Level of absenteeism	Caused by accidents or illness		Percentage of total work days
Lost time injury frequency rate (LTIFR)		Hours per million hours worked	Per year, expressed as percentage or ratio
Funds used for health care		\$	Per year, per staff

Social indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
Incident/accident loss and prevention costs		\$	As percentage of net turnover, gross margin on sales
Training and Education			
Level of training	Business unit or group Type of training (environment, health & safety, other)	Total number of days	Per year, per staff
Investment in training	Business unit or group Type of training (environment, health & safety, other)	\$	Per year, per staff
Total number of trainees	Business unit or group	Number	Per year, as percentage of total workforce
Level of staff survey response		Number	Percentage of total staff
Agreement / disagreement with statements in relation to company's social responsibility			Percentage of respondents who agree or disagree
Number of employee suggestions		Number	
Diversity and Opportunity			
Diversity of employees	Gender Age group, average age Disabilities / special needs (and by job category) Education (university, college, school, other) Nationality Languages	Number at end of year	As percentage of total number of employees
Diversity of management	Gender Nationality In top, senior and lower management	Number at end of year	As percentage of total number of management
Human Rights			
Examples covered by other sections			
Society			
Customer Health & Safety			

Social indicators	Breakdown / sub-indicators	Expressed as	
		Absolute	Relative
No examples were found			
Product and service declaration			
Companies replied to survey on ethical quality control of purchases		Number	As percentage of total number of companies
Community			
Number of inhabitants located within a certain distance of store		Number	
Total community projects	Business unit or group Geographical location Type of activity (arts, sport, welfare etc) Stakeholder group (youth, elderly, disabled, aboriginals, etc)	Number \$ in contributions or costs	

Notes



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