THE GOVERNANCE OF SUSTAINABILITY
HOW COMPANIES MANAGE THEIR CORPORATE RESPONSIBILITIES
RESEARCH TEAM

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By the Centre for Corporate Governance, University of Technology, Sydney. For Catalyst Australia
EXECUTIVE SUMMARY
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This study reviews the structure of corporate responsibility in a sample of twelve large, listed Australian companies. In particular, it explores the governance of corporate responsibility; the structures and processes through which a company controls and directs its efforts towards becoming more sustainable. The research sought to identify:

whether, and to what extent, companies disclose information regarding the structures and processes that they use to develop, monitor and implement their sustainability strategy;

whether an interested stakeholder can easily find information to enable them to understand a company's approach to the governance of sustainability.

As we note throughout the report, we did not evaluate the quality of companies' disclosures but searched for evidence of their internal governance frameworks.

Defining corporate responsibility
Corporate responsibility can be defined at its simplest as a company operating in an economically, socially and environmentally sustainable manner. Thus we use the term corporate responsibility interchangeably with the term sustainability, to include social as well as environmental aspects of acting responsibly.

For many companies, the development of corporate responsibility practices has occurred in a piecemeal fashion in response to the specific demands of stakeholders. Companies have now reached the stage where they need to consolidate and integrate these practices into their overall business strategy. Like any other aspect of corporate governance, this requires clear leadership, as well as structures and processes that ensure plans are properly developed, monitored and implemented.

No governance process can be entirely failsafe. As we conducted this research, several of the companies in our sample received negative publicity for various reasons. Orica was very slow to alert the public about a chemical spill from its Newcastle plant; a dispute between Qantas and its workforce was escalated to national significance following the grounding of its aircraft; and BHP (and Rio as minority owner) were dealing with striking miners at a Chilean copper mine. Despite these events, the value of good governance and leadership is well-proven for providing the structures and processes needed to guide a company through the highs and lows of its life-cycle.

OUR SCORECARD
We examined the governance of corporate responsibility in the twelve companies in our sample by reviewing:

1. Communication: the accessibility and clarity of their corporate responsibility reporting;
2. Commitment: the extent of their commitments to corporate responsibility reporting;
3. Leadership: evidence of leadership structures and governance processes for corporate responsibility and sustainability reporting;
4. Implementation: evidence of systems and policies to implement corporate responsibility.

We reviewed only published data and therefore our findings reflect what the companies have disclosed in their reporting, rather than what they may be doing in actual practice. For comparison we rate the twelve companies against each of the four indicators above. Here are the findings of our research.

FINDINGS
Integration of reporting
There appears to be a trend towards more concise, focused and integrated sustainability reporting. By this we mean a trend against voluminous stand-alone Sustainability Reports and towards the publication of a single Annual Report that integrates sustainability disclosures with financial and operational reporting. Of our sample, eight of the twelve companies produced a stand-alone Sustainability Report in 2010, whereas four (Rio, ANZ, NAB and Qantas) had chosen to produce only one integrated report. Rio has produced an integrated report for several years but for the other three companies, 2010 was the first year of integrated reporting. This trend towards integration of reporting heralds a new phase of sustainability reporting.

Use of reporting frameworks
Reporting against internationally recognised standards such as the Global Reporting Initiative (GRI) increases the legitimacy of disclosures and is common amongst the large Australian companies. Of our sample, seven out of twelve companies reported against the GRI and had their application level independently checked, another three companies used the GRI but self-assessed, or did not assess their overall application level. The remaining two companies (Bluescope and Coca Cola) did not say they used the GRI. All of the twelve companies are involved in the Carbon Disclosure Project, perhaps reflecting the current heightened concern over climate change.

Prioritising issues
Some companies strongly focus on one particular sustainability issue, for example, Telstra on customer service and Coca Cola on water stewardship. Rio uses materiality assessments to decide which issues to focus on in its reporting. Like issuing one integrated report that embeds sustainability in core business strategies, this is another sign that companies are becoming much more strategic in their approach to corporate responsibility. Here they choose to focus and report on the issues likely to give the company the best strategic advantage in the long run. This involves balancing different stakeholders' interests with the objective of producing the best possible outcome for all.
Leadership structures

Eleven of the twelve companies in our sample have either a board sub-committee or senior management committee dedicated to sustainability issues. This demonstrates a strengthening of sustainability leadership at the head of the company. Interestingly, no company appeared to have a specific committee at both levels; six had chosen to create a board sub-committee and five had dedicated management committees. It was harder to find information on leadership below senior management level, although this is equally important if sustainability initiatives are to be put into practice. Only three companies (Orica, and Foster's) explained how systems and processes had been put in place for ensuring implementation of sustainability at site level.

Remuneration policy

We were pleasantly surprised to discover that at least ten of the twelve companies appear to reward their employees for achieving certain sustainability objectives. By far the most common sustainability performance indicators to be included in remuneration schemes are those relating to occupational health and safety, lost-time injury rates for example. However, reporting on exactly how these indicators are applied, and to what extent, was sparse and unclear. The reporting of remuneration policy regarding sustainability could be much improved.

The need for regulatory guidance

Our conclusion is that there is a need for regulatory guidance on the governance of sustainability to improve reporting in this area. This could most easily be achieved through amending the Australian Securities Exchange’s Corporate Governance Principles. We do not suggest any radical or burdensome additions. Rather, formal incorporation of some of the guidelines already included in the Global Reporting Initiative: to help Australian companies understand how they can integrate sustainability governance into their existing corporate governance systems; and to improve communication of these efforts to interested stakeholders.

Overall, the written evidence shows that significant progress is being made by this group of listed Australian companies towards integrating sustainability into core business operations. Our results show some support for the emerging theory of corporate citizenship as a process of implementing a social contract between the organisation and the community in which it operates. A combination of good governance, strategic management and stakeholders’ engagement is required if a company is to find this balance most efficiently, not only for the long-term sustainability of its operations but also for its ongoing legitimacy within the community.

RECOMMENDATIONS

Much more research is needed to explore the issue of best practice implementation systems for sustainability, including how to incorporate non-financial performance indicators into remuneration policy. Companies also need more guidance on how to lead and govern sustainability, including how to integrate this with existing corporate governance systems.

We recommend considering including guidance in the Australian Securities Exchange’s Corporate Governance Principles. This could comprise recommendations suggesting that companies:

- set up a board committee with responsibility for guiding and monitoring the development of sustainability strategy and its implementation
- publish their policy on corporate responsibility to include: the business case; strategic drivers; the framework for monitoring and implementation; and methods for receiving input from stakeholders
- disclose the relationship between remuneration policy and sustainability performance
- require certain senior executives to declare sustainability reporting as presenting a ‘true and fair’ view.
PROJECT CONTEXT, SCOPE AND METHODOLOGY
The report does not interrogate sustainability performance. Rather it looks at the governance of sustainability, assessing between companies and their stakeholders on how both the integration of sustainability. In raising awareness of the processes and structures necessary to govern sustainability we hope that this research will act as a platform for engagement between companies and their stakeholders on how both the governance of sustainability in practice, and reporting on it, could be improved.

The report does not interrogate sustainability performance. Rather it looks at the governance of sustainability, assessing in an operational sense how companies are managing sustainability, and particularly what systems are in place to govern their approach to it.

Our scorecard assessed four aspects of sustainability governance:

1. Communication: the accessibility and clarity of a company's sustainability reporting;
2. Commitment: the extent of a company's commitments to sustainability and its reporting;
3. Leadership: evidence of leadership and governance of sustainability;
4. Implementation: evidence of systems and policies to implement sustainability across the firm.

The first two indicators provide the context to each company’s approach to reporting and the second two indicators look in more detail at evidence presented by the companies about the processes and structures they have in place to develop, monitor and implement sustainability strategy.

At the outset it should be noted that there is relatively little academic research on the governance, leadership and implementation of sustainability, particularly of an empirical nature. At this early stage in the theory development of a new topic, case study research is commonly used to explore and build on existing ideas and better define emerging concepts (Maon et al, 2008; Eisenhardt, 1989). We apply this approach as described in Section 4 below.

A BROAD VIEW OF CORPORATE SUSTAINABILITY

Sustainable development was first defined by the Brundtland Commission in 1987 as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. Essentially, corporate sustainability involves balancing economic growth against the broader social and environmental impact of a firm’s activities.

The paper takes a broad view of what it means to be sustainable, using this term interchangeably with corporate responsibility which, at its simplest is a commitment to operating in an economically, socially and environmentally sustainable manner. The Australian Parliamentary Joint Committee Report (2006) commented that the terms ‘corporate responsibility’, ‘corporate social responsibility (CSR)’, ‘corporate social transparency’, ‘triple bottom line’, ‘corporate sustainability’ and ‘social and environmental responsibility’ are all used to refer to the same concept.

The difficulty in defining corporate responsibility is touched on by Campbell, who concludes that it is determined by a company's stakeholders i.e. all those with an interest in its operations: shareholders, employees, customers, suppliers, regulators, local communities and the environment:

“...we can argue that corporate behavior is socially responsible as long as it meets [stakeholders’] expectations regarding appropriate and acceptable corporate behaviour” (2007: 950).

Stakeholder engagement has to be a two-way process of communication, feedback and improvement, involving a careful balancing process when the interests of different stakeholders conflict. Ultimately, every company has to develop a sustainability strategy tailored to both internal and external contingencies which will be unique to that company:

“It is important to reemphasize that corporate sustainability is fundamentally a complex problem and there are no approaches that universally apply. Corporations are faced with differing stakeholder demands, continually shifting priorities, and a multitude of alternatives to address their sustainability challenges” (Searcy, 2011).

The development of corporate responsibility can be piecemeal and reactive and initiatives have often been developed by companies as a response to the specific demands of external stakeholders (Yuan et al 2011). Initiatives can be implemented after a negative event to repair a company’s reputation and regain the trust of customers or investors. This has been termed ‘greenwashing’ or the legitimacy theory of social disclosure and suggests that stakeholders ought to maintain a level of scepticism in assessing Sustainability Reports:

“Based on this theory, companies facing greater exposure, as firms with poorer environmental performance are assumed to do, would be expected to provide more extensive off-setting or positive environmental disclosures in an attempt to address the increased threats to their legitimacy” (Cho and Patten, 2007:640).
Strategic sustainability

This predominantly external focus of contemporary sustainability practices has led to the bulk of these being disjointed and 'almost never truly strategic' (Yuan et al, 2011:86 quoting Porter and Kramer, 2002:57). The current challenge facing most businesses is to incorporate recurring sustainability initiatives into core business operations, thereby improving the 'internal fit' of sustainability activities with the organisation's overall strategy (Yuan et al, 2011:86). This view of corporate responsibility as requiring action on the strategic and operational fronts has been termed 'next generation' corporate citizenship which, 'takes a firm beyond compliance to mitigating potential risks and looking for opportunities in the relationship between business and society' (Morgan et al, 2009:41).

Change management

Looking at corporate responsibility from a change-management point of view, Doppelt has explored how the governance and leadership of an organisation can transform organisational culture and overcome resistance to change (2010:96). He has found that changes in governance structures and processes can provide much greater overall leverage for transformation to sustainability than the implementation of specific sustainability initiatives. For example, installing better smokestacks or improving the sorting of waste are important steps towards sustainability but are not effective levers of change.

This research aims to explore this stage of integration, mainstreaming and institutionalisation of corporate social responsibility as one of the latter stages of developing and implementing corporate responsibility (Maon et al, 2008). Firstly, companies need to audit existing sustainability norms, standards and practices and develop a company-specific integrated strategic plan. This then needs to be implemented, communicated, evaluated, improved and eventually institutionalised. Finally an integrated strategic plan needs to be supported by structures and processes such as:

‘...designating a senior official or a committee responsible for overall corporate social responsibility implementation, improving interfunctional coordination, building corporate social responsibilities into employees’ job descriptions and performance evaluations, recruiting people knowledgeable in CSR with appropriate attitudes and skills, and developing regular forums in which to share issues and knowledge across the organization’ (Maon et al, 2009:81).

We aim to explore and compare structures like these in our sample companies.1

RESEARCH METHODOLOGY

A standard company list was selected across the Full Disclosure series that sought to capture a diverse population of companies, spanning blue and white collar workers, and the service, resources and manufacturing sectors of the economy. It included only companies who are: prominent (household names); Australian ASX-listed companies, and relatively mature reporters (have released at least three Sustainability Reports). A more common alternative approach, selecting the top ten companies, would have heavily biased the reports towards the mining and finance sector, and we sought a broader representative spread. This approach accords with that taken by academic researchers in previous studies, for example Hansen and Reichwald, (2009) who chose seven large German companies in three industries and Morgan et al, (2009) who took 25 companies across five industries.2 The companies selected for this study were as follows:

Company sample

Table 1 Company sample

<table>
<thead>
<tr>
<th>Sector</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>1. Rio Tinto</td>
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<td></td>
<td>2. BHP Billiton</td>
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<tr>
<td>Manufacturing</td>
<td>3. Bluescope Steel</td>
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<tr>
<td></td>
<td>4. Orica</td>
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<tr>
<td>Finance and services</td>
<td>5. ANZ</td>
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<tr>
<td></td>
<td>6. NAB</td>
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<tr>
<td></td>
<td>7. Qantas</td>
</tr>
<tr>
<td></td>
<td>8. Telstra</td>
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<tr>
<td>Fast moving consumer goods</td>
<td>9. Woolworths</td>
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<tr>
<td></td>
<td>10. Wesfarmers</td>
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<tr>
<td></td>
<td>11. Coca Cola Amatil</td>
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<td></td>
<td>12. Foster’s Group</td>
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</tbody>
</table>

Company context

These twelve companies all report extensively on sustainability/corporate responsibility. This includes reporting on their efforts to reduce adverse impacts on the environment, to be equitable to their employees and to take into account the interests of local communities and customers. The focus of each company’s efforts towards becoming more sustainable/responsible rightly depends on the nature of the company’s operations and differs greatly across industry sectors. In the environmental sphere, an airline may be focused on greenhouse gas reduction, whereas an agricultural company may need to concentrate on water savings. In the social sphere, a bank may be keen to retain skilled employees, whereas a mining company will be focused on a safety goal of zero harm. Our focus on governance and responsibility for sustainability avoids (to some extent) the difficulties inherent in trying to compare policies on greenhouse gas reduction with policies on employee training or customer satisfaction.

Documentary analysis

Our assessments of each of the twelve companies were based on a review of each company’s website, most recent Annual Report and most recent Sustainability Report. Our first port of call was the company’s website where we were able to download the formal reports. Websites were reviewed in early May 2011, early June 2011 and double-checked in early October 2011. Reports available at that time were the 2010 Annual and Sustainability Reports.

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1 Little research of this kind has been done. Morgan et al (2009) used a very similar methodology to ours, which they termed as a scorecard approach, to benchmark how twenty-five companies from the Fortune 500 were embedding corporate responsibility into their governance, structure and systems. Hansen and Reichwald (2009) conducted a similar study on multinational German companies involving a benchmark analysis and interviews.

2 Use of a selective, theoretical sample rather than a random sample is accepted practice in case study research (Glaser and Strauss, 1967; Eisenhardt, 1989:537).
A supplementary search was also conducted using Google News, ASX company announcements and social activism websites such as the Business and Human Rights Resource Centre and Greenpeace. This search gathered news articles that were critical of the corporate responsibility and sustainability practices of companies in the sample and provided contextual understanding of why companies may have set out their corporate responsibility policies in such a way.

In reviewing the substantive volume of material available, our aim was to assess whether, and how well, each company appeared to be governing and implementing its sustainability strategy. We searched for relevant information and assessed the extent and quality of such information.

Limitations
There are two major limitations inherent in this methodology, which must be taken into account when reading our findings:

Firstly, we relied only on published information. Companies may have structures and processes in place that they do not comment on in their formal reports, and thus we may present a less favourable view of the company than is actually the case. However, sustainability interests the general public, so how a company communicates publicly is an integral part of its approach. We judged each company on its description and explanation of what it is doing, rather than what may be happening in practice.

It is also possible that in reviewing the large amount of material available, we missed information relevant to a particular topic. However, as the research team is experienced in reviewing this type of information it is likely that any information overlooked would also be overlooked by other stakeholders.

Secondly, we used a qualitative methodology which relied partly on the researchers’ judgment. We attempted to reduce the potential for subjectivity by assessing each company against clear indicators and providing justification for our assessments in written summaries. Two researchers reviewed the material available and each rating was agreed upon by both to reduce any individual bias (Denzin, 1975).

Our approach to rating
We rated the information provided by each company against the four indicators listed in Table 2 in terms of whether it was Below Average, Average or Above Average as compared to the other companies in the sample. This report benchmarks the companies within our sample but does not compare them with other companies outside of the sample. As relevant information can be overlooked in such a rating exercise, we also assessed each company in a more general sense, providing descriptive, qualitative information to justify our ratings. This justification process reduces bias and enables cross-checking of information through direct reference to source material.

INDICATORS AND SCORING SYSTEM
The four tables below describe our method for rating each company against our four chosen indicators: communication, commitment, leadership and implementation.
Table 2: Scorecard for Communication of Sustainability information

<table>
<thead>
<tr>
<th>Reason for Inclusion</th>
<th>Factors considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessibility and clarity of website and annual reporting is an indicator of stated commitment to stakeholder communication: does the company ensure that any interested stakeholder can easily find and understand relevant information?</td>
<td>Accessibility: How many steps did we have to take to find sustainability information and was it easy to find? Was the information well organised and easy to navigate? Clarity: Was the information comprehensive and meaningful? Engagement: Does the company (1) identify the different stakeholder groups and (2) explain the methods of communication used to engage with each group?</td>
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<tr>
<td>Other methods of communication - Does the company explain how it engages with stakeholders through other means than its website and Annual Reports?</td>
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<table>
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<tr>
<th>Score</th>
<th>Below Average</th>
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<th>Above Average</th>
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<tbody>
<tr>
<td>Examples</td>
<td>It takes time and effort to find sustainability information No obvious links on home page Information is scattered across different areas of website or different reports, with no clear cross-referencing Minimal or no reference to stakeholder engagement</td>
<td>It takes some time and effort to find comprehensive sustainability information Information is spread across different documents but with cross-referencing and/or navigation guidance Easy to find generic information, but hard to find detail Brief mention of key stakeholders and a statement on engagement</td>
<td>Easy and quick to find sustainability information Clear link on home page - easy to navigate sustainability web-pages/report Information is comprehensive, clear and meaningful Identification of stakeholder groups, and description of the different methods the company uses to communicate with each group</td>
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2. COMMITMENT TO SUSTAINABILITY REPORTING

<table>
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<th>Reason for Inclusion</th>
<th>Factors considered</th>
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<tbody>
<tr>
<td>If a company is serious about clearly communicating its sustainability efforts and permitting its performance to be benchmarked, it will use internationally accepted guidelines for reporting. The sustainability of companies is thoroughly assessed through participation in well-known indexes, and thus inclusion gives some independent verification of the validity of sustainability initiatives. An indication of the importance placed on sustainability is whether the company goes over and above its legal obligations to become involved in positive initiatives, either on a global or industry level.</td>
<td>Is the company involved in voluntary initiatives designed to improve and inform reporting on sustainability issues? To what extent does the company follow the Global Reporting Initiative in its disclosures on sustainability? Is the company included in well-known and respected sustainability indexes such Dow Jones and FTSE4Good? Is the company involved in voluntary initiatives such as the Carbon Disclosure Project and UN Global Compact?</td>
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<th>Score</th>
<th>Below Average</th>
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<th>Above Average</th>
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<tbody>
<tr>
<td>Examples</td>
<td>Reporting does not follow the GRI Only involved in minimal voluntary initiatives May over-emphasise involvement in mandatory initiatives</td>
<td>Reporting follows the GRI to a low application level or the application level is not independently verified Involved in some voluntary initiatives</td>
<td>Reporting follows the GRI to a high application level and is independently verified Involved in many voluntary initiatives both on international and national/industry scale</td>
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### 3. LEADERSHIP AND GOVERNANCE OF SUSTAINABILITY

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<th>Reason for inclusion</th>
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<tr>
<td>A clear statement on approach, strategy and policy on sustainability provides the context for governance of sustainability.</td>
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<tr>
<td>A clear framework and structure for the governance of sustainability (i.e. how it is directed and controlled) indicates overall management and leadership of the issue.</td>
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<tr>
<td>Leadership of sustainability at board and senior executive level is crucial to integrate issues from the top down.</td>
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<tr>
<th>Factors considered</th>
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<tbody>
<tr>
<td>Does the company clearly define sustainability strategy and present evidence of policies, structures and processes designed to facilitate the development and governance of sustainability?</td>
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<tr>
<td>Sustainability strategy and policy: Does the company clearly articulate its overall strategy and/or policy for sustainability?</td>
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<tr>
<td>Sustainability governance and leadership structure: Is there a clear governance framework for sustainability? Are there structures and processes at board and/or senior executive level to support and guide sustainability leadership and provide responsibility and accountability?</td>
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<th>Examples</th>
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<tbody>
<tr>
<td>Generic strategy or policy statement on sustainability</td>
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<td>Brief statement on leadership</td>
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<tr>
<td>Explanation of overall strategy and/or policy/governance framework for sustainability</td>
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<td>Board or management committee dedicated to sustainability</td>
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<tr>
<td>Statements explaining overall sustainability strategy and business drivers</td>
</tr>
<tr>
<td>Sustainability policy/governance framework specifies who is accountable and responsible for sustainability both at board and senior management level</td>
</tr>
<tr>
<td>Board or management committee dedicated to sustainability – explanation of its role and achievements - information on reporting lines and information flow</td>
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### 4. IMPLEMENTATION OF SUSTAINABILITY

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<th>Reason for inclusion</th>
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<tbody>
<tr>
<td>For sustainability to be more than just aims, objectives and goodwill it must be implemented and executed at ground level.</td>
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<td>If managers and employees are to be encouraged to take sustainability performance seriously this should be reflected in any performance-based pay.</td>
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<tr>
<th>Factors considered</th>
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<tbody>
<tr>
<td>Systems and processes: Does the company explain how sustainability is managed at operational and site level? Are responsibilities and accountabilities clear?</td>
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<tr>
<td>Remuneration policy: Are managers motivated to implement sustainability initiatives through the company's remuneration policy, or does it focus only on financial performance?</td>
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<table>
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<tr>
<th>Examples</th>
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<tbody>
<tr>
<td>A generic or no statement on implementation or scattered examples</td>
</tr>
<tr>
<td>A weak or no suggestion of integration into remuneration systems</td>
</tr>
<tr>
<td>A statement on personal accountability and/or processes and systems for implementation of sustainability issues</td>
</tr>
<tr>
<td>Remuneration loosely linked to sustainability, or only to certain aspects, with little detail provided</td>
</tr>
<tr>
<td>Integration of sustainability issues into core business via codes of conduct, management systems, risk management or performance indicators is explained</td>
</tr>
<tr>
<td>Remuneration based on sustainability performance is clearly explained in the Remuneration Report and based on a broad range of indicators</td>
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FINDINGS AND DISCUSSION
FINDINGS AND DISCUSSION

Each company’s website and published reports for 2010 were reviewed and assessed against the criteria set out in Table 2. The company ratings across the four indicators are presented in Table 3. The full company evaluations can be found at Appendix B.

In reading these evaluations it is important to bear in mind the limitations that we outlined in section 2, particularly that we are examining evidence of the structures and processes used to lead and manage corporate responsibility, not the quality of each company’s corporate responsibility performance.

COMMUNICATION

Despite a range of different approaches to sustainability across the companies reviewed, we find a clear trend towards increased ‘mainstreaming’ of sustainability and the beginnings of its integration into core business strategy. Reflecting this increased integration, four of our twelve companies had recently decided to no longer produce a standalone Sustainability Report but to integrate sustainability reporting with financial reporting in their Annual Report or Shareholder Review.

Accessibility

This research assessed the accessibility of sustainability information, that is, how easy it would be for an interested stakeholder to find. Our starting point was the organisation’s website and from there we could access the more formal Annual Reports and Sustainability Reports. Four companies received a rating of ‘below average’ for communication: it was not because of poor quality information, but because of difficulty accessing it. Some companies had spread their sustainability reporting across several different documents, which made it time-consuming and difficult to assess the extent of the information. Three companies had two corporate websites, one consumer-focused and one shareholder-focused. This is potentially confusing for a stakeholder interested in sustainability issues, especially if sustainability is dealt with differently on the two websites.

For example, Woolworths had rather superficial sustainability information on its consumer website and there were no links to the more comprehensive information on its corporate website. On the other hand, Bluescope Steel demonstrated that if the two websites are well integrated and linked together consistently, there is minimal communication disadvantage. These examples demonstrate the various issues faced by companies in communicating their efforts towards sustainability, namely (1) how much information should be disclosed and (2) whether it should be targeted towards particular stakeholders.

Clarity

Regarding the volume of information, there appears to be a conscious effort to make formal reports shorter and more accessible, however, in the case of the large mining companies, additional information is still provided either on the website (Rio) or as a supplementary information report (BHP). It makes sense to take this approach of staged levels of information, but only if there is a clear distinction between the different sources, and repetition of information is kept to a minimum. Several companies only had one source of sustainability information – their annual Sustainability Report, often available as an interactive online report. This makes for easy navigation, although the depth of information may not be as good. Targeted reporting (for example Qantas’ data book for investors, or Woolworths’ consumer website’s sustainability information) may not be the best approach, on the basis that many interested readers will not fall neatly into any one category. Certainly, companies are still experimenting with different communication approaches, each of which has its advantages and disadvantages.

Engagement

All companies referred to their key stakeholders and mentioned the need for engagement. Some went into much more detail, identifying each group of stakeholders and detailing the different methods of communication used to engage with each. Thus reporting on stakeholder engagement ranged from a brief sentence, ‘we engage with our stakeholders’ (Bluescope), to detailed tables clearly describing the use of methods such as: customer focus groups, investor briefings and input into government policy-making (ANZ, NAB, Telstra).

It is worth noting that the Global Reporting Initiative (Guidelines 4.14 to 4.17) recommends that companies disclose: a list of stakeholders with whom they engage; the basis for identification and selection of those stakeholders; their approaches to engaging with stakeholders including their methods and frequency of engagement; and also:

“Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting” (Guideline 4.17).

Table 3: Summary of Findings

<table>
<thead>
<tr>
<th>Company</th>
<th>Communication</th>
<th>Commitment</th>
<th>Leadership</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rio</td>
<td>Above Average</td>
<td>Above Average</td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td>BHP</td>
<td>Average</td>
<td>Above Average</td>
<td>Above Average</td>
<td>Average</td>
</tr>
<tr>
<td>Bluescope</td>
<td>Below Average</td>
<td>Below Average</td>
<td>Below Average</td>
<td>Average</td>
</tr>
<tr>
<td>Orica</td>
<td>Average</td>
<td>Average</td>
<td>Above Average</td>
<td>Above Average</td>
</tr>
<tr>
<td>ANZ</td>
<td>Below Average</td>
<td>Above Average</td>
<td>Above Average</td>
<td>Above Average</td>
</tr>
<tr>
<td>NAB</td>
<td>Average</td>
<td>Above Average</td>
<td>Above Average</td>
<td>Average</td>
</tr>
<tr>
<td>Qantas</td>
<td>Below Average</td>
<td>Average</td>
<td>Below Average</td>
<td>Below Average</td>
</tr>
<tr>
<td>Telstra</td>
<td>Above Average</td>
<td>Average</td>
<td>Above Average</td>
<td>Below Average</td>
</tr>
<tr>
<td>Woolworths</td>
<td>Below Average</td>
<td>Average</td>
<td>Below Average</td>
<td>Below Average</td>
</tr>
<tr>
<td>Wesfarmers</td>
<td>Above Average</td>
<td>Average</td>
<td>Below Average</td>
<td>Below Average</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>Average</td>
<td>Below Average</td>
<td>Below Average</td>
<td>Average</td>
</tr>
<tr>
<td>Foster’s</td>
<td>Above Average</td>
<td>Average</td>
<td>Above Average</td>
<td>Average</td>
</tr>
</tbody>
</table>
Designs to reflect a broad consensus of what constitutes Inclusion in these indexes affirms the quality of reporting, as it or both of the FTSE4Good and Dow Jones Sustainability Indexes. Inclusion in sustainability indices receiving an ‘above average’ rating were also involved in a wide range of topics. Companies reporting is of high quality, rather as a measure of the standards set by the GRI. Thus, when we have given ‘above average’ ratings to companies because of their application level but did not have it independently checked.

Not using the GRI (or not using it formally) was one of the main reasons we gave ‘below average’ commitment ratings to some companies, as failure to use this standard places a question mark over the legitimacy of the company’s reporting and makes it difficult to compare. Most of the companies formally using the GRI provided a GRI index, a reference table which enables the reader to see which guidelines the company has disclosed against, and where to find those disclosures. These indexes make it possible for an interested reader to find comparable information across different companies.

About the GRI
It must be emphasised that the GRI only provides a reporting framework designed to encourage companies to report across a broad range of topic areas. GRI A, B or C ratings refer only to ‘application levels’, that is, the extent of reporting (the number of guidelines disclosed against). They do not reflect an assessment of the quality or accuracy of the reporting. When an application level rating has been checked by the GRI, this again refers only to the extent of reporting and is not a check on quality. However, the plus (+) signal indicates that external assurance was used for the report, although this is often only for limited aspects of it.

A recent report by Banarra Consulting examined the quality of companies’ disclosures in the area of labour practices in terms of whether companies’ reporting was fully consistent with the GRI guidelines. It demonstrates that even when companies claim to have disclosed to a certain application level, sometimes their disclosures do not entirely meet the standards set by the GRI. Thus, when we have given ‘above average’ ratings to companies because of their application of the GRI, this is not on the basis of assurance that the reporting is of high quality, rather as a measure of the company’s commitment to collect, measure and disclose information across a wide range of topics. Companies receiving an ‘above average’ rating were also involved in a number of other voluntary reporting initiatives.

Inclusion in sustainability indices
All companies with an ‘above average’ rating were included in one or both of the FTSE4Good and Dow Jones Sustainability Indexes. Inclusion in these indexes affirms the quality of reporting, as it involves an independent assessment of whether the company meets certain criteria. These criteria are regularly revised and designed to reflect a broad consensus of what constitutes good corporate responsibility practice globally. A review of the companies’ reports found that nine of the companies are included in the Dow Jones index (we did not find reference to inclusion in BlueScope, Woolworths or Foster’s reporting). This shows strong commitment to sustainability across the target sample. Fewer companies (five, possibly six) referred to inclusion in the FTSE4Good index, which may reflect more stringent criteria, or may result from the indexes’ internal rules which we have not examined in detail.

Carbon Disclosure Project and London Benchmarking Group
Another extremely positive finding is that all of the twelve companies in our sample are voluntary members of the Carbon Disclosure Project, which means that they produce and publish a report on their greenhouse gas emissions every year.

Five companies also mentioned use of the London Benchmarking Group to measure community contributions. Like the GRI, the Carbon Disclosure Project and London Benchmarking Group are initiatives providing a framework for reporting. The aim is to offer a methodology for measuring and disclosing information so it can then be meaningfully compared and benchmarked across different companies. The Carbon Disclosure Project provides methods for measuring not only greenhouse gas emissions but also water management and climate change strategies. The London Benchmarking Group develops methodologies that enable benchmarking of the value of community investment.

Voluntary and Mandatory Measures
It should be noted that the above measures are voluntary. The GRI itself recommends that companies disclose their involvement in externally developed economic, environmental and social charters, principles or other initiatives’ and that their disclosures:

“differentiate between nonbinding, voluntary initiatives and those with which the organization has an obligation to comply” (Guideline 4.12).

Importantly, this requires companies to distinguish between compliance with voluntary and mandatory initiatives. We gave ‘below average’ ratings to companies that did not make this clear. For example, many of the companies in our sample mentioned Australian government initiatives such as the Energy Efficiency Opportunities scheme, the National Greenhouse and Energy Reporting system and the National Pollutant Inventory. These initiatives have been implemented by law, meaning that companies falling within their remit must comply or face potential penalties. Some companies mentioned these initiatives in a way that could potentially mislead the reader into believing that their involvement was voluntary.

Figure 1 Company Commitments to Sustainability Reporting

<table>
<thead>
<tr>
<th>GRI checked</th>
<th>UN Global Compact</th>
<th>Carbon Disclosure Project</th>
<th>London Benchmarking Group</th>
<th>Dow Jones Sustainability Index</th>
<th>FTSE 4 Good</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GOVERNANCE AND LEADERSHIP
Ten of the twelve companies had a section of their sustainability website or report dealing with their overall governance framework for sustainability. This is an interesting development, as certainly a few years ago this would not have been the case. Several companies explicitly stated that they had a new strategy or method of reporting for 2010, (Telstra, ANZ, Qantas, Foster's) demonstrating the timely nature of this research. There is definitely an increasing awareness of the expectation that sustainability ought to be managed more formally. However, the type of information in the sections on sustainability governance varied greatly both in quality and quantity. Some focused on the business case for sustainability and the strategic business drivers. Others focused on the company's chosen priority areas, or a unifying code of conduct. Some discussed organisational structures such as board or management committees. In our recommendations we highlight the need for more research to better guide companies as to what it means to provide good governance for corporate responsibility.

Role of Committees
All but one of the companies in our sample (Wesfarmers) had a committee of senior leaders responsible for overseeing sustainability. Six companies had a committee at board level and the other five had a committee at senior executive level. In general there was not much explanation of how these committees functioned, or of the reasons for their establishment at a particular level. Further research exploring company motivations in setting up committees would be valuable. In terms of the role and responsibilities of these committees within the organisation, three companies (ANZ, BHP and Orica) gave examples of topics they had addressed in 2010. Some companies mentioned more than one committee overseeing sustainability issues, for example, NAB has three management committees dealing with different aspects of sustainability: risk management, climate change and community. Woolworths explains the role of its two committees, the safety and health executive committee and the sustainability executive committee, whereas Foster's mentions four ‘leadership teams’ driving improvement in different areas: the environment, global procurement, quality and community.

Organisational Structure
Regarding governance structure, BHP and Orica had simple diagrams demonstrating the hierarchy of bodies responsible for sustainability issues. Woolworths has an advisory panel to provide expert input to their sustainability strategy; and BHP uses its forum for corporate responsibility for input on strategy from interested NGOs.

In reading our ratings, it is important to remember that they are based on published information only. Those companies rated as ‘below average’ for sustainability leadership may in fact have governance systems in place, but do not give significant information about them in their reporting. Indeed, companies are not obliged to provide such information. Wesfarmers gives no information on overall governance, and Bluescope and Qantas simply refer to the existence of a board committee without any information on how it carries out its role.

Disclosures
The GRI guidelines include a recommendation that companies disclose information on governance of sustainability. G3.1 Guideline 4.9 recommends the disclosure of:

“Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance.”

All the companies reporting to a high level against the GRI ought to have included this information in their reporting, even if just a sentence to explain how the board oversees the company’s sustainability performance. In their GRI indexes, most of these companies simply referred the reader to the information on the relevant board or management committee. On this basis, Wesfarmers stood out because, despite applying the GRI to a level of B+, the company does not have a committee dedicated to sustainability issues. Wesfarmers’ GRI index refers the readers to its corporate governance statement, but this does not specifically explain how sustainability is governed.
IMPLEMENTATION AND REMUNERATION

Examining how sustainability policy and practice is managed within a firm and its relationship to overall business strategy was an important aspect of this research. In our sample, there were few clear statements about management and strategy. While the diversity of firms in this sample suggests little likelihood of a common management approach across firms, this is nevertheless an area where further research could help identify best practice integration strategies.

Some companies, such as Orica, offered significant detail on the policies, standards and management systems used to implement sustainability practices across the company. Others, such as BHP referred to these in a generic fashion, for example, ‘HSEC group level documents’. Foster’s had a somewhat different approach, referring less to processes and more to the human relations aspects of implementation, for example, the development of business unit leaders for sustainability and employee training.

A key question in our research was whether the twelve companies had taken the step of rewarding their employees for sustainability performance. We found that almost all the companies included certain aspects of sustainability in their remuneration schemes, usually in the short-term incentive plan. We were pleasantly surprised by this result although it was very unclear as to what extent these measures were included, and therefore whether their inclusion would be a real motivator for employees. The percentage of total remuneration dependent on these factors is probably very small.

Figure 2 shows that the most common aspect of corporate responsibility to be included in remuneration policies was safety – eight of the twelve companies said that they included safety as a measure to determine short-term incentive payments. In general, it was not clear exactly how safety performance was measured, or what proportion of remuneration might be dependent on it. Only two companies (Rio and Bluescope) mentioned specific metrics such as lost-time injury rates, or medically-treated injury frequency rates.

Industry-specific differences were apparent. In particular, the two banks (ANZ and NAB) did not include safety as a performance measure, but both listed risk, strategy, people and customer metrics as non-financial performance indicators included in their short-term incentive schemes. These sustainability measures are increasingly being included in an overall scorecard of measures. Many companies stated that part of the short-term incentive payment would be based on individual objectives, but only Rio Tinto gave any examples of what these might include and, for several executives, there were some sustainability-related objectives.

Absence of Environmental indicators.

Environmental performance was notably absent in most companies’ descriptions of non-financial performance measures incorporated into remuneration policy. Some companies referred to ‘safety, health and environment’ as a bundle, but the performance indicators mentioned only related to safety measures. This requires further investigation.

Disclosure against the GRI

GRI Guideline 4.5 suggests that companies disclose the linkage between senior executive’s remuneration and the organisation’s performance, and expressly states that this should include social and environmental performance. Clearly more guidance is required on how these disclosures should be framed and the level of detail required. A statement confirming linkage is not very helpful unless the nature and extent of that link is explained.

Figure 2: Number of Companies integrating sustainability measures into remuneration policy

<table>
<thead>
<tr>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Customer service</td>
</tr>
<tr>
<td>Community</td>
</tr>
<tr>
<td>Ethics/culture</td>
</tr>
<tr>
<td>Risk</td>
</tr>
</tbody>
</table>
RESEARCH IMPLICATIONS
RESEARCH IMPLICATIONS
As part of this research project we undertook a full literature view to inform the development of our scorecard model, and to provide a broader context to discuss the research findings.

Taking a step back from our findings, it is useful to look at the way corporate responsibility has evolved over recent years. Table 4 shows what Visser has termed the five ‘ages and stages’ of corporate social responsibility, namely: greed, philanthropy, marketing, management and responsibility.

At present, most leading companies are getting to grips with the management stage which involves supporting social and environmental issues that align with the company’s existing strategy. Others are still floundering in the ages of philanthropy and marketing and only a very few determined entities have entered the age of true responsibility. This last stage of Visser’s model involves companies reinventing their strategies to tackle the root causes of current unsustainability. This may be through innovative business models, revolutionary processes and products, or lobbying for progressive government policies (Visser, 2011:19). The practicalities of moving from strategic responsibility to systemic responsibility may sometimes involve significant issues depending on the nature of the company’s core operations:

“Corporate social responsibility is not only about the programmes to reduce emissions or to invest in a local school – it is about how the company resolves the dilemmas around its core product or service” (Baker, 2011: xvii).

Applying Visser’s model to our findings
If we compare our twelve companies against Visser’s model, all fall somewhere between the marketing and management stages of corporate responsibility. No company has truly reached the mature phase of responsibility although some companies are progressing towards it, if they continue in their current direction.

Activities we identified that fall within the management stage include the trend towards integrated corporate reporting which is being adopted by four companies in our sample: Rio Tinto, ANZ, NAB and Qantas. Additionally there is Telstra and Foster’s claim to have integrated governance of sustainability into their core operations, which indicates a more strategic approach consistent with Visser’s management phase.

Other companies in our sample might have only reached Visser’s marketing stage of corporate responsibility, for example, Coca Cola, Wesfarmers and Woolworths. These companies all have a strong retail consumer base in the fast-moving consumer goods industry. As the general public are key stakeholders in this sector, marketing corporate responsibility can create reputational benefits.

In contrast, the mining companies have for many years been under close scrutiny by much more demanding stakeholders and regulators such as the large well-funded NGOs and government agencies. It is likely that this external pressure has required them to adopt a more strategic and engaged approach to corporate responsibility efforts.

Strategic sustainability
The management stage of Visser’s model involves a more strategic approach to sustainability, something that Werther and Chandler outline as involving four components. These are:

1. a sustainability perspective is incorporated into the strategic planning process;
2. any actions taken on sustainability are directly related to core operations;
3. stakeholder perspectives about social and environmental issues are incorporated; and
4. the focus of activities is medium to long-term, not short-term (2011:40).

To be truly strategic companies need robust governance structures and processes that permit sustainability-related information to flow into strategic planning at board and executive level. A committee dedicated to sustainability can provide a framework for this to occur and can ensure that engagement processes (with both internal and external stakeholders) are relevant to the wider business strategy.

Most of the companies in our sample are progressing towards this strategic path, for example some companies offered justification of their overall approach to sustainability and some gave details of relevant leadership committees although, as we have noted in Section 3, there was often not a great deal of information about their functioning. Companies in the sample who claimed GRI application level A+ (Rio, BHP, ANZ, NAB, Woolworths) all set out clearly and comprehensively the methods of stakeholder engagement used and topics discussed.

Table 4: The ages and stages of corporate social responsibility (Visser, 2011:18)

<table>
<thead>
<tr>
<th>Business age</th>
<th>Stage of CSR</th>
<th>Modus operandi</th>
<th>Key enabler</th>
<th>Stakeholder target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greed</td>
<td>Defensive</td>
<td>Ad hoc interventions</td>
<td>Investments</td>
<td>Shareholders, government and employees</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>Charitable</td>
<td>Donations</td>
<td>Projects</td>
<td>Communities</td>
</tr>
<tr>
<td>Marketing</td>
<td>Promotional</td>
<td>Public relations</td>
<td>Media</td>
<td>General public</td>
</tr>
<tr>
<td>Management</td>
<td>Strategic</td>
<td>Management systems</td>
<td>Codes</td>
<td>Shareholders, NGOs</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Systemic</td>
<td>Business models</td>
<td>Products</td>
<td>Regulators and customers</td>
</tr>
</tbody>
</table>
IMPLEMENTATION – THE NEXT CHALLENGE

Although company leaders appear to be making progress towards defining and developing a more strategic approach to sustainability, to have any real effect their strategies must be put into action consistently throughout the organisation. One of the barriers faced by many companies is that they lack the frameworks through which to implement, measure and monitor a comprehensive approach. According to Lindgreen et al, this is the next big challenge:

“Specifically, practitioners lack guidance on various sustainability implementation issues including architecture; management; building and maintenance; repositioning; communication; and performance measures” (2009:252).

Linking sustainability performance with remuneration is gaining attention as a way to fast track implementation. Morgan et al in their 2009 study of 25 Fortune 500 companies across five industry sectors found ‘brief to no disclosure’ on ‘employee compensation linked to corporate responsibility goals and targets’ across all sectors, commenting:

“there is scant evidence in this sample that firms are linking citizenship into their performance appraisal and compensation systems. Interestingly, many feel that this is the missing component of the citizenship integration puzzle. Over 60 percent of respondents of an Ethical Corporation Magazine (2003) survey, for example, believe that management compensation linked to citizenship performance is among the top three strategies to more effective management of corporate citizenship” (2009:45).

In their interviews conducted in 2003-2004, Adams and Frost found one of their sample companies in the UK had: “… moved away from assessing managers’ performance against financial KPIs and adopted a companywide balanced scorecard which has sixteen measures on it, three of the four quadrants of which relate to non-financial issues. Performance against these measures is linked to their remuneration” (2008:295).

In our study we highlighted that at least three of the companies in our sample are taking this scorecard approach to assess short-term incentives, with several of the scorecard’s metrics based on non-financial measures such as lost-time injury rates or customer satisfaction. The proportion of overall short-term incentives (and of total remuneration) that these sustainability-related metrics make up was generally unclear. The figures may be so small as to offer only a very slight incentive towards implementation, if any. This was also noted in Adams and Frost’s study:

“Occupational, health and safety targets are now built into the employee share plan based on the organisation meeting specific targets. Specific aspects of social and environmental performance are also built into the performance evaluation of the relevant managers, although the impact may be limited since profit remains the predominant determinant of the bonus” (2008:297).

This highlights an important area for further research, to identify the extent to which sustainability performance influences total remuneration. Such research would help boards, shareholders and stakeholders develop more meaningful incentive and disclosure systems.

The evolution of sustainability – Dunphy et al’s model

As firms in our sample evolve along a continuum in the development of organisational models for sustainability, it is worthwhile considering the six-phase model developed by Dunphy et al, (2003). This charts an organisation’s progress through rejection, non-responsiveness, compliance, efficiency and strategic proactivity to the creation of a truly sustaining corporation. This model details the characteristics of a corporation in terms of both ecological and human sustainability across each of these phases (Table 5). It takes more of a management-oriented approach to corporate sustainability than Visser’s model. Unlike philanthropy and public relations, the compliance and efficiency stages are valid manifestations of strategic corporate sustainability, with the focus being on proactivity in stage five.

The sustaining corporation outlined by Dunphy is one that translates into contemporary theories of corporate citizenship. This is taken further by Morgan et al, who emphasise the role of corporate leaders in driving change.

THE NEXT PHASE: CORPORATE CITIZENSHIP

Proactive leadership is essential if sustainability is to be truly integrated into core business strategy. This is true both at board level and below:

“For corporate citizenship to be effective – ensuring that a company minimizes harm and maximizes benefits through its activities and, in so doing, takes account of and is responsive to a full range of stakeholders - leadership is required at every level of an enterprise. This places new demands on Boards of Directors to shape and govern citizenship in companies and calls for robust management structures and systems to integrate citizenship into the operations of a firm” (Morgan et al, 2009:40).

The approach taken by a company has to be guided from the top with clear strategic goals, policy framework and priorities. Morgan et al (2009) found, “…that while corporate Boards are assuming more responsibility for oversight of conduct and taking account of specific social and environmental issues, citizenship is not yet fully embedded into Boards or the operating structures and systems of most firms.”
<table>
<thead>
<tr>
<th>Phase</th>
<th>Human sustainability</th>
<th>Ecological sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rejection</td>
<td>Employees and contractors regarded as resources to be exploited — force, discrimination and abuse used to retain workforce</td>
<td>Environment regarded as a ‘free good’ to be exploited — active pollution and hostility to green groups</td>
</tr>
<tr>
<td>Non-responsiveness</td>
<td>Labour viewed as a cost to be minimised — HR/IR aimed at developing compliant workforce</td>
<td>Ecological environment ignored</td>
</tr>
<tr>
<td>Compliance</td>
<td>Complies with basic laws and is seen as decent employer</td>
<td>Complies with laws to reduce litigation and community action</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Tries to develop HR to the point of maximising productivity</td>
<td>Poor environmental management seen as an avoidable expense</td>
</tr>
<tr>
<td>Strategic proactivity</td>
<td>Intellectual and social capital used to develop strategic advantage, recruit and retain best talent</td>
<td>New products and processes developed to substitute for environmentally damaging ones</td>
</tr>
<tr>
<td>The sustaining corporation</td>
<td>Pursues human welfare, just social practices, human rights</td>
<td>Active promoter of ecological sustainability including lobbying governments</td>
</tr>
</tbody>
</table>

Adapted from Dunphy et al (2003:22-26)
CONCLUSIONS & RECOMMENDATIONS
CONCLUSIONS AND RECOMMENDATIONS

Despite more measuring of sustainability performance, the voluntary nature of disclosure still results in a tendency to report only the favourable numbers, with companies withholding any information they think might reflect badly on the organisation (Adams and Frost, 2008:297). This means that we still need to retain a level of scepticism when reading Sustainability Reports.

True corporate accountability for sustainability may require tougher regulation or laws to ensure both good and bad information is revealed, or at least a statement by the CEO that disclosure is “true and fair” akin to that required for financial reporting. Certainly, this is an area where guidance and recommendations can lead to more consistent and comparable disclosures, as demonstrated by the Global Reporting Initiative.

Consequently, this research is timely, demonstrating advances in sustainability practices in leading Australian companies, but also revealing areas where there is room for improvement. Five or ten years ago companies were congratulated for simply producing a Sustainability Report, even one of dubious quality. Now, companies must take extra steps to differentiate themselves; to permit themselves to be benchmarked; and to demonstrate the actual implementation of sustainability rather than just good intentions.

Corporate responsibility is not a static element of the organisation. Good practice has come about in large part because of poor publicity, and action on behalf of various stakeholders and regulators. Some practices of companies may worsen or improve depending on the level of volatility in their industry sector, the direction and calibre of their leadership and/or the degree of government intervention:

“More research is needed to explore to what extent [sustainability] efforts are initiated as a result of outside pressures, formal top down strategy setting, grass roots initiatives from employees or middle managers, or other sources, and what kinds of catalysts are most effective in creating culture and systems change” (Van Velsor, 2006:5).

This research report provides a brief snapshot of twelve Australian companies and their corporate responsibility practices as well as an insight into likely future trends. This study contributes to the increasing body of knowledge of corporate responsibility implementation in large, economically influential organisations. It also shows how corporate responsibility remains a work-in-progress; and an ongoing challenge for companies to implement well and credibly.

Much more research is needed to explore the issue of best practice implementation systems for sustainability, including how to incorporate non-financial performance indicators into remuneration policy. Companies also need more guidance on how to lead and govern sustainability, including how to integrate this with existing corporate governance systems.

RECOMMENDATION

We recommend consideration be given to including guidance in the Australian Securities Exchange’s Corporate Governance Principles. This could comprise recommendations suggesting that companies:

- set up a board committee with responsibility for guiding and monitoring the development of sustainability strategy and its implementation
- publish their policy on corporate responsibility to include: the business case; strategic drivers; the framework for monitoring and implementation; and methods for receiving input from stakeholders
- disclose the relationship between remuneration policy and sustainability performance
- require certain senior executives to declare sustainability reporting as presenting a ‘true and fair’ view.

These recommendations would be based on the Global Reporting Initiative’s recommendations that many large companies already claim to follow, and therefore would not involve any radical change in reporting for these large companies. They would however, enable the ASX Corporate Governance Council to provide commentary and guidance for smaller and growing listed companies striving to improve their sustainability governance. The approach taken on this issue could be very similar to the recent amendments to the Corporate Governance Principles regarding disclosure of diversity policies and the relationship between risk and remuneration.
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APPENDIX A
GLOSSARY OF TERMS
The Dow Jones Sustainability World Index is composed of global sustainability leaders as identified by SAM through a corporate sustainability assessment. The index represents the top 10% of the largest 2,500 companies in the Dow Jones Global Total Stock Market Index SM based on long-term economic, environmental and social criteria.

The underlying research methodology accounts for general as well as industry-specific sustainability trends and evaluates corporations based on a variety of criteria including climate change strategies, energy consumption, human resources development, knowledge management, stakeholder relations and corporate governance.

While no industry is excluded (so e.g. tobacco and nuclear industries could be included) in the selection process and in the composition of the Dow Jones Sustainability World IndexSM, subsets of the index provide investors with the possibility to apply filters against certain sectors.

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**APPENDIX A: GLOSSARY OF TERMS**

**APC: AUSTRALIAN PACKAGING COVENANT**  
The Covenant is a voluntary initiative by government and industry to reduce the environmental effects of packaging on the environment. Its objectives are to minimise the environmental impacts arising from the disposal of used packaging, conserve resources through better design and production processes and facilitate the re-use and recycling of used packaging materials. The Covenant establishes a framework for the effective life-cycle management of consumer packaging that will be delivered through a collaborative approach.

While participation in the Australian Packaging Covenant is voluntary, brand owners with a turnover of over $5m per annum who choose not to become signatories or who fail to comply with the APC requirements will be regulated under the National Environmental Protection (Used Packaging Materials) Measure (NEPM) in each of the states and territories within which the company sells its products.

**CDP: CARBON DISCLOSURE PROJECT**  
The Carbon Disclosure Project is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world. Over 3,000 organizations in some 60 countries around the world now measure and disclose their greenhouse gas emissions, water management and climate change strategies through CDP, in order that they can set reduction targets and make performance improvements. This data is made available for use by a wide audience including institutional investors, corporations, policymakers and their advisors, public sector organizations, government bodies, academics and the public.

**CRI: CORPORATE RESPONSIBILITY INDEX**  
This index provides a framework for assessing corporate responsibility. Participation is voluntary and business-led (rather than investor-led like the Dow Jones and FTSE4Good indices). Its aim is to act as an internal management tool for companies to assess the extent to which they have integrated responsible practice. It was developed by the UK’s Business in the Community (BITC) in 2002 with a licence given to Australia’s St. James Ethics Centre for use in Australia.

However, in 2010 following St James Ethics Centre’s review of its various responsible business practice project elements it was decided not to renew the CRI licence (the last Australian report came out in 2009). On 27 September 2010, the 2011 Corporate Responsibility Index was launched by BITC, in cooperation with the Centre, as a Global Index run by BITC directly from the UK for all participating UK, Australian and New Zealand companies.

**DIJSI: DOW JONES SUSTAINABILITY INDEXES**  
http://www.sustainability-index.com/  
This initiative is a partnership between the Dow Jones Indexes and an asset management company, Zurich-based Sustainable Asset Management (SAM). The DJSI are the first global indexes tracking the financial performance of companies that are at the forefront of sustainability promotion and practices worldwide.

The Dow Jones Sustainability World Index is composed of global sustainability leaders as identified by SAM through a corporate sustainability assessment. The index represents the top 10% of the largest 2,500 companies in the Dow Jones Global Total Stock Market Index SM based on long-term economic, environmental and social criteria.

The underlying research methodology accounts for general as well as industry-specific sustainability trends and evaluates corporations based on a variety of criteria including climate change strategies, energy consumption, human resources development, knowledge management, stakeholder relations and corporate governance.

While no industry is excluded (so e.g. tobacco and nuclear industries could be included) in the selection process and in the composition of the Dow Jones Sustainability World IndexSM, subsets of the index provide investors with the possibility to apply filters against certain sectors.

**EEO ACT: THE ENERGY EFFICIENCY OPPORTUNITIES (EEO) ACT 2006**  
The Australian Government’s Energy Efficiency Opportunities program encourages large energy-using businesses to improve their energy efficiency. It does this by requiring businesses to identify, evaluate and report publicly on cost effective energy savings opportunities. Controlling Corporations whose entire group used more than 0.5 PJ of energy during 2008-09 must apply to be registered for Energy Efficiency Opportunities by 31 March 2010.

The approach for managing compliance in the first assessment cycle is to ensure that all corporations that use more than 0.5 PJ of energy per year register, undertake energy efficiency opportunities assessments, and report on their assessment outcomes. Prosecution for non-compliance is considered a last resort option and would be initiated only in the most serious cases. If there are minor issues, the Department is willing to work with participants to understand why problems are occurring and what actions are being taken to address these issues.

The Energy Efficiency Opportunities Act 2006 provides that penalties may be imposed if a corporation is found to be non-compliant by a Court. The Court may order a controlling corporation to pay the Australian Government a penalty of up to 1000 penalty units, which is currently a maximum fine of $110,000 per offence.

**FTSE4GOOD: FINANCIAL TIMES LONDON STOCK EXCHANGE FOR GOOD**  
http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp  
Similar to the DJSI, the FTSE4Good was launched in 2001 by the Financial Times London Stock Exchange and is a financial index series that measures the performance of companies that meet globally recognised corporate responsibility standards. The transparent criteria make FTSE4Good a valuable tool for consultants, asset owners, fund managers, investment banks, stock exchanges and brokers when assessing or creating responsible investment products.

The FTSE4Good selection criteria have been designed to reflect a broad consensus on what constitutes good corporate responsibility practice globally. Using a widespread market consultation process, the criteria are regularly revised to ensure that they continue to reflect standards of responsible business practice, and developments in socially responsible investment as they evolve. Since it was launched, the environmental criteria and human rights criteria have both been strengthened. The FTSE4Good inclusion criteria are designed to be challenging but achievable in order to encourage companies to try to meet them.
GRI: GLOBAL REPORTING INITIATIVE
http://www.globalreporting.org/AboutGRI/WhatsGRI/

The GRI is a network-based organization that pioneered the world’s most widely used sustainability reporting framework. This framework sets out the principles and performance indicators that companies can use to measure and report their economic, environmental, and social performance. The cornerstone of the framework is the Sustainability Reporting Guidelines. The third version of the Guidelines – known as the G3 Guidelines – was published in 2006. The guidelines contain application levels which reflect the degree of transparency in reporting by companies. They indicate the extent to which the G3/G3 Guidelines have been applied in their sustainability reporting. Whilst not an external assurance engagement, the GRI guidelines’ application levels complement this process and indicate the extent to which the guidelines have been applied.

ICMM: INTERNATIONAL COUNCIL OF MINING AND METALS
http://www.icmm.com/

This is an international business association established in 2001 to improve sustainable development performance in the industry. Members include Rio Tinto BHP Billiton, Newmont and Xstrata.

LBG: LONDON BENCHMARKING GROUP
http://www.lbg-online.net/

More than 300 companies around the world use the LBG framework to measure the real value and impact of their community investment to both business and society. The consistent approach applied by all LBG members facilitates benchmarking amongst peers, competitors and sectors and provides accurate and current information on how companies invest in society.

NGER ACT: NATIONAL GREENHOUSE AND ENERGY REPORTING ACT

The National Greenhouse and Energy Reporting (NGER) Act 2007 establishes a national system for reporting greenhouse gas emissions, energy consumption and production by corporations from 1 July 2008. The features of the Act include: reporting of greenhouse gas emissions, energy consumption and production by large corporations; public disclosure of company level greenhouse gas emissions and energy information; consistent and comparable data available for decision making; in particular, the development of the Carbon Pollution Reduction Scheme; a reduction in the number of greenhouse and energy reports required across State, Territory and Australian Government programs.

From 1 July 2008, all corporations that meet a reporting threshold for greenhouse gases or energy use or production, for a reporting (financial) year must apply for registration with the National Greenhouse and Energy Data Officer.

The two types of thresholds at which corporations are required to participate are ‘facility’ thresholds and ‘corporate’ thresholds. Both types have a greenhouse gas threshold and an energy threshold. If a corporation exceeds any one or more of the four thresholds for each reporting year, registration is required.

As a guide, businesses emitting more than 25 000 tonnes of carbon dioxide equivalent, or consuming more than 25 000 megawatts of electricity or 2.5 million litres of fuel in a year, can expect to be required to report.

Severe penalties apply for non-compliance with the NGER Act. For example, if a corporate group meets one of the thresholds under the NGER Act and fails to register with the relevant authority it will be exposed to a $220,000 penalty as well as an ongoing penalty of $11,000 per day for every day that corporate group remains in breach. The same penalty applies for failing to report relevant data in accordance with the NGER Act.

Further, provisions of the NGER Act extend these civil penalties to CEOs and if a CEO fails to take reasonable steps to prevent a contravention of the NGER Act the CEO will be personally liable (in addition to the corporation’s liability).

NPI: NATIONAL POLLUTANT INVENTORY

The Commonwealth Government’s Department of Sustainability, Environment, Water, Population and Communities established the National Pollutant Inventory (NPI) which is an internet database designed to provide the community, industry and government with information on the types and amounts of 93 toxic substances being emitted to the environment. More than 4000 industrial facilities now estimate and report annually on their emissions and these data are made available to the public.

The NPI is a collaborative program between the Australian, state and territory governments established under the NPI National Environment Protection Measure (NEPM) in 1998.

Industry facilities that exceed an NPI reporting threshold should report to the NPI. Only substances for which an NPI reporting threshold is exceeded are reported to the NPI.

Implementation of the NPI National Environment Protection Measure is the responsibility of each participating jurisdiction. For example, in Queensland the regulation provides for penalties of up to $1500 for non-compliance with a reporting requirement and/or naming of the non-compliant party in the NEPC annual report.

UN GLOBAL COMPACT: UNITED NATIONS GLOBAL COMPACT
http://www.unglobalcompact.org/AboutTheGC/index.html

The UN Global Compact is a strategic policy initiative by the United Nations for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

UNEP FI: UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE
http://www.unepfi.org/

UNEP FI is a global partnership between UNEP and the financial sector. Over 190 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance.

UNEP FI works closely with over 200 financial institutions who are signatories to the UNEP FI statements, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.
APPENDIX B
COMPANY EVALUATIONS
Rio Tinto provides extensive sustainability information on its website and some of this is also incorporated into its Annual Report. Rio does not publish a stand-alone Sustainability Report and has been integrating sustainability reporting into its Annual Report since 2007. Rio uses the term ‘sustainable development’ and describes its strategy under four headings: Environmental, Economic, Social and Governance. The company refers to its global code of conduct ‘The way we work’ as the cornerstone of its management of sustainable development.

### Leadership

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### Communication: Above Average

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<td>The home page has a quick link to ‘sustainable development 2010’ which takes you to ‘Our approach’ explaining Rio’s strategy and performance. The website is easy to navigate. There is a link to the online Annual Report 2010 which is also easy to navigate and has cross-references to the website throughout.</td>
<td>The information is comprehensive and successfully integrates sustainability issues into reporting on strategy and performance.</td>
<td>Under ‘Governance systems’ there is a page entitled ‘Engagement’ which identifies stakeholder groups and refers to communication initiatives taken in 2010.</td>
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### Commitment: Above Average

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<td>Yes, the International Council of Mining and Metals (ICMM) Sustainable Development Framework has been implemented</td>
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LEADERSHIP: AVERAGE
There is good strategic integration and mention of policies and systems etc but it is unclear exactly how this works.

Sustainability strategy and policy
Under ‘Our approach’ there is a definition of sustainable development and a clear statement on Rio’s strategy which includes:
“making sustainable development considerations an integral part of our business plans and decision-making processes”

Under ‘Our strategy’ they explain the business drivers for their approach:
“This allows us to maintain a highly regarded reputation that ensures ongoing access to people, capital and mineral resources. This in turn helps us to deliver better return for our shareholders, manage risk effectively, reduce environmental impacts, cut operating costs, attract and retain high calibre employees and provide more business development opportunities.”

There is a diagram demonstrating their ‘Sustainable Development Framework’ but it is not entirely clear how it works: it shows a triangle with a series of layers: the ‘code of conduct’ is at the bottom and on top are layers labelled: ‘policies; strategies & standards; leadership & accountability; management systems; monitoring and reporting; indicators and metrics,’ and then ‘targets’ at the very top.

The Annual Report 2010 has successfully integrated sustainability issues into discussions on strategy and performance, for example, under ‘group strategy’ one of the five strategic drivers of the company is ‘licence to operate,’ and under ‘KPIs’ data is provided not only for the usual financial indicators such as total shareholder return and operating cash flows but also for sustainability indicators such as injury frequency rate and GHG emissions intensity.

Sustainability governance and leadership structure
Under ‘Governance systems’ there is further mention of the company’s code of conduct and policies and standards but nothing on leadership of sustainability. The ‘Corporate governance’ section explains about corporate governance in its wider sense, not governance of sustainability per se.

There is reference to the board sub-committee on social and environmental accountability, with a link to the committee’s terms of reference, defining its purpose as being:
“to oversee on behalf of the Board management processes, standards and strategies designed to manage social and environmental risks and achieve compliance with social and environmental responsibilities and commitments.”

There is very little detail on how it works other than saying it should report ‘regularly’ to the board.

IMPLEMENTATION: AVERAGE
There is only a very broad statement on implementation, but a good explanation of how safety and some individual sustainability objectives are included in remuneration policy.

Systems and processes
Throughout the website there are references to Rio’s code of business conduct, The way we work which appears to be the central pillar of their Sustainability Framework. Under ‘Our strategy’ it states that the code: “reinforces our commitment to integrate sustainable development thinking in the way we make decisions about finding, acquiring, developing and operating assets around the world.”

A review of this 17 page code reveals that although it covers the key areas of corporate responsibility, it only gives extremely broad policy statements and no guidance on practical implementation, for example, under ‘sustainable water management’:
“Access to affordable water is critical to Rio Tinto’s operations. Future access depends on our performance and reputation in managing water responsibly and in a sustainable manner.”

The website does provide access to more specific policies and standards, for example their biodiversity strategy, and community relations policy, but many of these are also extremely general in nature.

Remuneration policy
In the KPI section of the online Annual Report, a dollar sign indicates which of the indicators are used as measures in determining executive remuneration, and of the non-financial indicators, only lost-time injury rate is included.

The Remuneration Report explains the inclusion of health and safety performance in remuneration policy as follows:
“As an organisation, we strive for superior long term shareholder value creation in a healthy, safe and environmentally appropriate way. These are key elements of our commitment to operational excellence and licence to operate, two of the Group’s strategic drivers. This is why we have health and safety as key performance indicators in the Short Term Incentive Plan (measured in relation to all injury frequency rates, significant potential incidents rate and semi quantitative risk assessment).”

The Remuneration Report goes on to explain that 52.5% of executive directors’ bonuses depend on the earnings and cash flow. The rest depends on safety (17.5%) and individual objectives (30%) (Annual Report p132).

Detail is given about the individual objectives for the most senior executives, and some are related to sustainability performance, for example, there are objectives to ‘strengthen Rio Tinto’s licence to operate’, ‘drive further sustainable cost reduction’; and ‘demonstrate progression of the climate and energy strategy’ (Annual Report p133).

Thus, the integration of sustainability performance into remuneration policy is explained quite clearly. There is a strong focus on safety with other issues being included in individual objectives as appropriate.
BHP BILLITON

BHPBILLITON.COM
BHP's home page has a clear link to the sustainability page but this offers only a little information – primarily links to the Sustainability Framework and Sustainability Report. Clicking on ‘Sustainability Report’ brings up links to three documents: the ‘Sustainability Report’ (30 pages), ‘Supplementary Information’ (35 pages) and ‘Sustainability Framework’ (14 pages). Each of these contains similar but slightly different information, which is why there is a large volume of information in some of the sections below.

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**COMMUNICATION: AVERAGE**
Good information but spread repetitively across three pdf documents making it cumbersome to navigate.

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<td>It is not clear initially as to the difference between the three Sustainability documents (Report, Framework and Supplementary Information) and navigation between the three pdf files is cumbersome. The introduction to the Sustainability Report states that it is based on the Sustainability Framework - it gives more detail on performance in each of the key areas of people, safety, health, environment and community. There is much duplication across these two documents which is unhelpful in assessing the information available overall. The introduction to the Supplementary Information is possibly the most useful of the three documents as it covers all information and gives cross-references to the other sources but, again, it repeats information.</td>
<td>Overall information is comprehensive but difficult to navigate and understand due to the three separate documents.</td>
<td>There is a section in the Sustainability Report entitled ‘stakeholders (p4) which gives a generic account of stakeholder engagement without going into the detail of methods of communication. More can be found in Supplementary Information pp3-4 which provides considerable detail on how the company communicates with each group of stakeholders.</td>
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**COMMITMENT: ABOVE AVERAGE**

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LEADERSHIP: ABOVE AVERAGE
BHP's overall strategy is unclear but the company demonstrates specific leadership structures throughout the business hierarchy.

Sustainability strategy and policy
Despite being entitled 'Our strategy delivers' there is no section on overall sustainability strategy in the 'Sustainability Report'. The introduction of the report entitled 'Sustainability and Governance at BHP Billiton' simply states that "BHP Billiton's reputation as a good corporate citizen is important to our long-term success" (p4). The CEO's review states that a change in approach is imminent:

"Looking ahead, we are undergoing a step change in our approach to sustainability that represents a move beyond continuous improvement. We are analysing all our Group-wide data to identify improvements in how we control risks, measure progress and set targets. We are developing new targets in FY2011 and we will report our progress on this process in FY2012" (p3).

The separate publication, 'Sustainability Framework', is designed to be an overall policy document, but appears to be a shorter, more generic version of the 'Sustainability Report' and again it does not really give a clear strategic statement nor a policy framework. Under the heading, 'Policy' it refers to the company charter and code of conduct:

"Our Code of Business Conduct applies to every member of our workforce and provides a framework for decision-making. It is based on the values contained in our Charter and highlights that we care as much about how results are obtained as we do about delivering good results."

It goes on to give the company's approach to six key focus areas: management; health & safety; environment; climate change and energy; community relations; and human rights.

Sustainability governance and leadership structures
The 'Supplementary Information' on p5 contains a section entitled 'Governance' with a chart showing a hierarchy for governance sustainability: it has the board at the top and executive management, customer sector groups and business line management underneath — at each level there are HSEC specialists. It explains that:

"The Group's peak sustainable development governance body is the Sustainability Committee, a sub-committee of the board," and it refers the reader to the Annual Report for more detail.

There is also reference both in the Annual Report (p143) and in 'Supplementary Information' (p5) to the company seeking input and insight from external experts such as the Forum for Corporate Responsibility. This body is introduced at p20 of the 'Sustainability Report' in the 'Community' section and comprises BHP executive management and leaders from eight NGOs.

The 'Sustainability Framework' under 'Policy Framework' describes leadership responsibilities:

"The Sustainability Committee of the Board oversees our sustainability strategy and policy, initiatives and activities. Management holds primary responsibility for our Health, Safety, Environment and Community (HSEC) processes and performance" ('Sustainability Framework' p2).

There is no further information on leadership or board oversight in this document, nor in the 'Sustainability Report' which repeats this statement on p4.

In the Annual Report (p143) there are very broad statements on the role of the committee, for example, oversight of 'our performance in relation to HSEC matters'. There is, however, a paragraph that gives a little more life to the work of the Committee, summarising activities undertaken during the year, for example:

"The Sustainability Committee considered reports on environmental strategic issues, HSEC audits and trends, review of health and hygiene standards, learnings from fatal accidents and other incidents and the potential impact of climate change regulation on the Group's portfolios..." (p143).

IMPLEMENTATION: AVERAGE
There is frequent reference to internal HSEC standards and line management responsibility but without much explanation of how these work in practice. Again, remuneration policy refers to incorporation of HSEC indicators, but suggests that this may only include one safety indicator.

Systems and processes
The CEO's introduction to the 'Sustainability Report' (p3) explains:

“Our Sustainability Framework provides a consistent approach to the management of HSEC issues across our business. Underpinned by our policy on sustainable development, implementation of this publicly available framework is supported by our Operating Model which has been designed to create an organisation where everyone is clear about their accountabilities”.

The 'Sustainability Framework' on p2 describes the policy framework for sustainability as being based on their code of business conduct and what they term 'HSEC Group Level Documents' which appear to be policy documents on Health, Safety, Environment and Community issues ('Sustainability Framework', p2). There is no further elaboration of what these documents say or how they are implemented, other than to say that they 'provide the basis for developing and applying management systems at all sites operated by BHP Billiton' (p2).

There is another mention of these HSEC Group Level documents in the 'Goverance' section of the 'Supplementary Information' (p5) which states:

"Group HSEC maintains the HSEC Group Level Documents (GLDs) that establish the basic, mandatory performance requirements and performance controls that must be adhered to across the organisation."

Again, there are no examples to give context or meaning to how these documents work. There is a discussion of 'HSEC in planning processes' but it simply says that "Significant projects are governed by the performance requirements of our project management GLDs."

Under 'Management' the 'Sustainability Framework' (p3) states that:

"Line managers have ultimate accountability for ensuring our businesses contribute to sustainable development.”

It then gives very broad policy statements and the company's approach to various HSEC issues (risk management, ethics etc) but all statements are extremely generic. (p3) There is a list of HSEC performance requirements but again, most are very generic, for example:

"Systems or processes must be in place to ensure awareness of the potential of bribery and corruption and to prevent it occurring”.

There is no further information on what systems actually are in place and how they work.

The 'Supplementary Information' document (p5) again states that business line management has responsibility and accountability for HSEC performance.
Remuneration
The CEO’s introduction to the ‘Sustainability Report’ (p3) refers to non-monetary incentives designed to recognise sustainability performance, namely the company’s HSEC Awards program. There is a statement in the forward to the Sustainability Supplementary Information that BHP remuneration policy includes the application of performance measures aligned to Health, Safety, Environment and Community (HSEC) elements.

This is confirmed in the 2010 ‘Remuneration Report’ which states in the introduction that:


There is a clear diagram on p152 of the Remuneration Report which details ‘people’ and ‘licence to operate’ as non-financial drivers of strategy that are supported by the company’s remuneration policy. The ‘people’ driver is simply supported by competitive rewards, whereas the ‘licence to operate’ driver is supported by linking remuneration to performance in the areas of health, safety, environment and community”.

“15% of STI for GMC members is measured against health, safety, environment and community development measures; the Group’s performance in the areas of health, safety, environment and community development impacts STI for all executives; the Remuneration Committee has an overriding discretion to reduce incentive outcomes to reflect below-target safety or environmental performance” (p152).

More information on the KPIs for the Short-Term Incentive (STI) Plan are set out at p159, the indicator for health, safety, environment and community development is ‘Total Recordable Injury Frequency’ which suggests it is only really related to safety. It is stated that a holistic approach is to be taken in 2011.

“The measures shall include a continued focus on safety and the risk management of fatalities and significant environmental events. All operations shall complete Human Rights impact assessments under the Articles of the United Nations Universal Declaration of Human Rights.”
3. BLUESCOPE STEEL

BLUESCOPESTEEL.COM.AU
BLUESCOPESTEEL.COM

There are two Bluescope Steel websites – one consumer-orientated and one shareholder-orientated. This is a little confusing at first, but the two sites are well-integrated.

For most sustainability information the websites link to the online Community, Safety and Environment Report which covers everything but without much detail – the Overview section is extremely brief, and then there are sections on Health and safety; Environment; Energy and greenhouse; and Community.

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COMMUNICATION: BELOW AVERAGE

The two websites are well-integrated but sustainability information is notably brief and lacking in detail.

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<td>A Google search takes you to the company’s consumer-orientated website detailing the company’s products. Under ‘Our company’ are specific sustainability headings: Health and safety, Environment, Community (which link to the corporate website) but not a general section on Sustainability or CSR. Clicking on ‘About Bluescope Steel takes you to the corporate website where there is a heading ‘Responsibilities’ under which there are more relevant headings including a heading: HSEC policy. The two website are well-integrated – clicking on Environment on the consumer website takes you to the relevant section of the corporate website. It is easy to find sustainability information under ‘Responsibilities’ on the corporate website.</td>
<td>Sustainability information on the corporate website is clear but minimal. You can find more detail by clicking on links which take you to the relevant sections of their online Community, Safety and Environment Report 2010 (CSE Report). However, the CSE Report also gives fairly minimal non-detailed information on most issues. There are some very basic bar charts presented without meaningful context or explanation, for example the charts on greenhouse gas emissions are not explained, nor are the figures given any context, despite this being a key environmental issue for the company.</td>
<td>Regarding stakeholder engagement, there is one small sentence in the section of the CSE Report on HSEC Governance stating: “We aim to engage with stakeholders to build relationships based on honesty, openness and mutual trust.”</td>
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Additional note:
The CSE Report contains potentially misleading statements regarding the voluntary nature of some of the company’s reporting. If you were unaware of the mandatory nature of the NGER Act, NPI or EEO Act you may think from the following statements that these were initiatives akin to the Carbon Disclosure Project. In fact, the NGER, NPI and EEO Act are Australian laws which Bluescope must comply with, or face potential penalties:

“Public reporting takes place through our participation in independent external reporting initiatives, such as the Australian National Greenhouse and Energy Reporting System (NGERS), the National Pollutant Inventory (NPI) and the international Carbon Disclosure Project (CDP) and through initiatives such as this Community, Safety and Environment (CSE) Report” (CSE Report 2010, Environment overview).

“BlueScope Steel is a participant in the Federal Energy Efficiency Opportunities (EEO) program. The program involves detailed assessments of energy use and the identification of potential savings at the Port Kembla Steelworks, Springhill and Western Port sites” (CSE Report 2010, Energy Efficiency).
LEADERSHIP: BELOW AVERAGE
Information is very minimal although a board level committee does exist.

Sustainability strategy and policy
On the HSEC Governance page there is a link to the HSEC Policy which is strikingly basic – just one page signed by the CEO repeating the broad aspirational statements on the website on health, safety, environment and community. For example, on environment:

“We care for the environment. We are committed to the efficient use of resources, reducing and preventing pollution, and product stewardship.”

Sustainability governance and leadership structures
The online 2010 CSE Report has a section on HSEC Governance which introduces the board HSE Committee, but does not give any information on its role or how it carries out its responsibilities, nor does the section entitled HSE Committee – it gives pictures of the members of the committee and states:

“The Committee sets policy to guide management and monitors the performance of the Company”.

IMPLEMENTATION: AVERAGE
There is a very minimal statement on implementation, with more detail on the sustainability indicators integrated into remuneration policy.

Systems and processes
The page on HSEC Governance gives fairly general information on aspirations and simply states that ‘we have put in place management systems and standards’ without giving any detail on what they are. There is a further paragraph on how the company meets its commitments but most statements could apply to any company, for example:

“We identify, assess and manage our risks. We set performance targets, regularly monitor and publicly report on our progress, and seek to comply with all relevant industry standards and legal requirements. We aim to engage with stakeholders to build relationships based on honesty, openness and mutual trust” (online CSE Report, HSEC Governance).

Remuneration policy

“safety and environment performance measures including Lost Time Injury Frequency Rates, Medically Treated Injury Frequency Rates and environmental measures.”

It is not entirely clear how much of the total STI (Short-Term Incentive) is comprised of non-financial measures, possibly up to 50%:

“At the senior executive level, 60% of the STI award is based on financial measures with 40% based on KPI metrics. For other participants, 50% of the STI award is based on financial measures and 50% is based on KPI metrics” (Remuneration Report, p28).
4. ORICA

ORICA.COM
All sustainability information is in the online 2010 Sustainability Report. There is much reference to the company’s ‘Deliver the Promise’ performance-based culture program which they say embeds SH&E (Safety, Health and Environment) and sustainability. A large section of the Sustainability Report is dedicated to governance structures, management systems and standards, which is why the company scores well on governance and implementation.

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Commitment</th>
<th>Communication</th>
<th>Implementation</th>
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<tbody>
<tr>
<td>Above Average</td>
<td>Average</td>
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COMMUNICATION: AVERAGE
There is a good online report, but in some areas it is lacking in detail or poorly organised.

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<thead>
<tr>
<th>Accessibility</th>
<th>Clarity</th>
<th>Engagement</th>
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<tbody>
<tr>
<td>There is a clear link to sustainability on the company’s home page which takes you directly to their online 2010 Sustainability Report. This is easy to navigate and has clear sections on the Governance of sustainability.</td>
<td>Information in some areas is rather generic without providing much detail. Also there is overlap between sections, and/or headings do not always correlate clearly with content, for example, more leadership information was found under ‘Strategy’ and ‘Organisational structure’ than under ‘Leadership and accountability’</td>
<td>There is a page on stakeholder engagement which identifies key stakeholders and describes how Orica communicates with them in some detail, giving cross-references to various case studies.</td>
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COMMITMENT: AVERAGE

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<tr>
<th>GRI</th>
<th>Dow Jones Sustainability index</th>
<th>FTSE4 Good index</th>
<th>Carbon Disclosure Project</th>
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<tbody>
<tr>
<td>Application level B</td>
<td>Yes</td>
<td>Not mentioned</td>
<td>Yes</td>
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<tr>
<td>Self-assessed, not GRI checked GRI index</td>
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<tr>
<th>UN Global Compact</th>
<th>Corporate Responsibility Index</th>
<th>London Benchmarking Group</th>
<th>Industry specific</th>
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<tr>
<td>Not mentioned</td>
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LEADERSHIP: ABOVE AVERAGE
There is a significant volume of information — overall strategy is a little vague, but relevant structures appear to be in place including a hierarchy for reporting and a dedicated committee.

Sustainability strategy and policy
The online Sustainability Report, under ‘Our approach, overview’ refers to the company’s ‘Performance-based culture program called “Deliver the Promise” which appears to be more of a code of conduct than a strategy document. There is also a section on the company’s ‘Sustainability vision’ containing very broad aspirations. In addition there are two further sections on ‘SH&E policy’ and ‘Our strategy’. The SH&E policy is concerned with preventing work-related injuries, and the strategy is concerned with meeting these SH&E commitments. Although quite detailed, this section appears to be more about implementation than overall business strategy, referring to equipment, systems, risk management and training. At the end there is a diagram that shows three focus areas: product stewardship; people and community; and SH&E. This is very broad with little explanation.

Sustainability governance and leadership structures
A very significant section of the online Sustainability Report is dedicated to Governance of sustainability, including, under ‘Organisational structure’ a simple but effective diagram of how accountability flows through from the board to site managers, and a detailed explanation of how this works in practice. There is a clear statement under ‘Our strategy’ on the leadership of sustainability:

“The Orica Group Executive and the Corporate SH&E Manager provide SH&E leadership. The Group Executive is a forum for strategy development as well as for SH&E governance of the Company. The Corporate SH&E Manager, Business SH&E Managers and site SH&E personnel provide advice and support to the line managers.”

Strangely, under ‘leadership and accountability’ there is very little information — just a reference to the ‘Deliver the Promise’ principles.

Information on leadership structures can be found under ‘organisational structure’ where there is a description of the role of the board SH&E Committee. It is a fairly generic description of the committee’s responsibilities, for example:

“The committee assists the Board in the effective discharge of its responsibilities in relation to safety, health and environmental matters arising out of activities within the Company as they affect employees, contractors, visitors and the communities in which it operates.”

However, examples are given of some of the topics addressed in 2010, which give more life to the reporting even though some of these are also rather generic.

There is a section of the online report discussing SH&E leadership training, which occurs at various levels of seniority.

IMPLEMENTATION: ABOVE AVERAGE
There is much discussion of how SH&E (Safety, Health and Environment) and sustainability are the responsibility of every employee — and also detail on leadership and committee structures and management systems at site level. It is clearly stated that SH&E performance is linked to remuneration, but it is not clear to what extent.

Systems and processes
In the online Sustainability Report, under ‘Our approach’ there is early reference to accountability and implementation:

“At Orica, SH&E and sustainability is embedded in our organisational culture. Our performance-based culture program is called ‘Deliver the Promise’ and is driven by personal accountability for delivering results…”

Under ‘Strategy’ there is more information on the implementation of and responsibility for SH&E commitments:

“SH&E is a line management responsibility. Ownership and accountability for SH&E performance is embedded in the line supervisory and management at all levels.”

Under ‘Organisational structure’ there is a section on site managers:

“All Orica line managers, employees and contractors are signatories to our SH&E Charter, which details what is expected of them and also what they can expect from Orica in providing a safe and environmentally responsible workplace. Our Site Managers are expected to provide strong SH&E leadership for their teams, through setting the right standards and monitoring compliance. Our Site Managers are provided with SH&E and general leadership training to enable this.”

There is also information on site SH&E Personnel:

“All Orica sites are required to have a SH&E Committee. These committees include representatives from management and elected representatives from each of the workgroups on site… Through these committees, we consult with our employees and contractors during the establishment of SH&E objectives and targets, regarding changes to workplaces and operations, and to resolve SH&E issues.”

There is also information about the company’s Sustainability Council, intended to enhance cross-business collaboration and sharing of information across Orica’s global operations.

Under ‘management systems,’ the online report goes on to give a list of the various processes used to control risk, including job cycle checks and health and hygiene programs.

Remuneration policy
In the online Sustainability Report under ‘leadership and accountability’, Orica expressly states that remuneration is linked to SH&E performance:

“A proportion of Orica employees’ remuneration, including all senior management, is linked to key SH&E performance indicators.”

On looking at the Remuneration Report, this is confirmed, but without much detail on specific sustainability performance indicators:

“Executive KMP [Key Management Personnel] short term incentives are paid annually in cash and are linked to overall performance measures for Orica, as well as specific measures for businesses in the areas of financial performance (Economic Profit and cash flow) and safety, health and environmental performance and diversity” (p 33).

Later the summary of the STI (Short-Term Incentive) Plan suggests that these non-financial indicators do not have a great influence on the overall amount awarded:

“What is the STI? An annual cash incentive plan linked to specific annual targets (which are predominantly financial)” (p34).
The company has a section of its website dedicated to Corporate responsibility as well as an online ‘2010 Shareholder and Corporate Responsibility Review’. Information is of good quality but scattered and not well-organised. This is perhaps because the company has only recently developed a new Framework for Corporate Responsibility. The company has integrated corporate responsibility into its shareholder review/Annual Report for the last three years, but only in 2010 included ‘Corporate responsibility’ in the title.

**Leadership**
- Above Average

**Commitment**
- Above Average

**Communication**
- Below Average

**Implementation**
- Above Average

**COMMUNICATION: BELOW AVERAGE**
There is good information but spread widely and easy to miss, poorly organised in places.

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<thead>
<tr>
<th>Accessibility</th>
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<th>Engagement</th>
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<tr>
<td>ANZ’s home page is consumer-oriented for online banking, but under ‘About us’ there is a link to ‘Corporate Responsibility’. The Shareholder and Corporate Responsibility Review 2010 gives more information than the website, but the link to it, under ‘News’ is not obvious. Other useful information was found by chance e.g. in the CR library, or under specific performance targets, or under the ‘More from Mike’ heading. It is difficult to find which voluntary initiatives the company is involved in, as they are scattered throughout the reporting.</td>
<td>In some areas of the website there is poor explanation e.g. the section on LBG does not explain what this acronym stands for, and the section on Assurance provides a long list of documents without clearly introducing what is being assured by each. There is much reference to their ‘Corporate Responsibility Framework’ but the website is lacking in detail on its substance, simply repeating the five priorities: Responsible practices, Education and employment, Urban and rural divides, Financial capability and Urban sustainability. The impression is that the ‘CR Framework’ is new and not fully developed. Delving further into the ‘Performance’ part of the corporate responsibility website confirms this impression, as it gives one of the (presumably 2010) goals as implementing the new CR Framework. In addition to this, it seems the company has recently changed the way it reports — aiming for more integrated disclosures: “This year we have provided an integrated view of how ANZ is managing financial and non-financial issues. This reflects how we think about our business and our commitment to growing responsibly. By combining the Annual Shareholder Review and our Corporate Responsibility Review we have simplified our reporting and provided a more complete and balanced picture of our performance and results.” (Shareholder and Corporate Responsibility Review p5). It seems that in restructuring to better integrate and frame its corporate responsibility strategy, the presentation of sustainability information has lost clarity and organisation. Information is of good quality and comprehensive, but is scattered and poorly organised — hopefully this is a work in progress and will improve with time.</td>
<td>There is a section on the website entitled ‘Stakeholder engagement’ — if you move from ‘Our approach’ to ‘2010 results’ there are many examples of how the company has communicated during the year. However, the option to scroll across the top tabs was not clear on first viewing.</td>
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COMMITMENT: ABOVE AVERAGE

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<th>Industry specific</th>
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<tr>
<td>Application level A+</td>
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<td>Not mentioned</td>
<td>Yes</td>
<td>Yes</td>
<td>Not mentioned</td>
<td>Yes</td>
<td>Yes, ANZ applies the Equator Principles in project finance decision-making.</td>
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LEADERSHIP: ABOVE AVERAGE

Recent development of specific strategies and responsibilities is evident.

Sustainability strategy and policy

The Corporate Responsibility Framework identifies five priorities: Responsible practices; Education and employment; Urban and rural divides; Financial capability and Urban sustainability.

Sustainability governance and leadership structures

In the Shareholder and Corporate Responsibility Review (p19) there are two paragraphs on strengthening governance under the heading 'Responsible practices':

“Our Corporate Responsibility (CR) Committee is chaired by our Chief Executive Officer, Mike Smith. It identifies, responds to, and monitors current and emerging risks and opportunities for our business. This year, the Committee guided implementation of our new CR framework and priorities; human rights standards; carbon neutral strategy and approach to supporting disaster relief and recovery efforts.

In addition, ANZ’s Reputation Risk Committee oversees management of social, environmental and regulatory risks particularly in our Corporate and Institutional client portfolio including sensitive sectors such as energy, defence and forestry. It also provides a forum for staff to obtain advice on complex or controversial issues involving clients, transactions or products.”

This shows leadership at senior management level and, by chance, more information was found about the responsibilities of this committee under ‘More from Mike - corporate governance’, including information on how it reports to the board:

“Progress on strategies to achieve the Group’s Corporate Responsibility objectives are reported bi-monthly to the Management Board and quarterly to the Board of Directors.”

IMPLEMENTATION: ABOVE AVERAGE

Training to help implement certain aspects of sustainability strategy is discussed, and there is a good discussion of the nature of sustainability indicators incorporated into remuneration policy, although exactly how they are integrated is not clear.

Systems and processes

On the website under ‘Our approach’ there is a heading ‘Embedding and implementing our framework’ but disappointingly, on clicking on this there is only one short sentence which does not give any detailed information on implementation:

“Our five CR framework priorities will help to guide our initiatives and investments over the coming years. Our annual CR targets contribute to the achievement of these goals.”

In the Shareholder and Corporate Responsibility Review (p20) employee training programs are mentioned, on Leading, Risk and Ethics designed to help implement ANZ’s focus on responsible practices:

“Almost 46,000 employees completed our ‘Leading’ or ‘Understanding Risk in our World’ learning programs, which reinforce the message that identifying and managing risk is everyone’s responsibility. All staff are also required to complete an annual training course, ‘Living the Code’, which includes a declaration of compliance with our Code of Conduct and Ethics.”

Remuneration policy

In the Shareholder and Corporate Responsibility Review (p20) there is a statement on remuneration policy in the context of sustainability.

“Our Remuneration Policy was reviewed to ensure our pay and bonus systems encourage and reward appropriate risk taking and achievement of sustainable shareholder returns. The Board is able to reduce or eliminate deferred performance-based remuneration which has not yet vested if it considers the initial grant was not justified in light of information arising after the grant was made or to protect the financial soundness of ANZ. Performance assessments for all employees, including our senior executives, are based on a combination of financial and non-financial measures which consider risk, reputation, stakeholder interests and sustainable practices.”

The Remuneration Report in ANZ’s 2010 Annual Report throws more light on this. The bank uses a balanced scorecard to measure executive performance for short-term incentives (Annual Report p16). Five categories containing approximately twenty metrics are used in the scorecard, the categories being: Finance, Customer, People, Process/risk and Strategic goals. Corporate Social Responsibility is included as an example of a metric under the ‘People’ category, but it is not clear how this is measured. Customer satisfaction and employee engagement were also included as examples of non-financial metrics related to corporate responsibility. Information on the percentage allocations across the metrics is not provided.
NAB has two websites, one appears to be consumer-focused and the other is the corporate site for the NAB Group. The second site contains most of the sustainability information. NAB has produced an integrated report for the first time in 2010.

COMMUNICATION: AVERAGE
There is some initial confusion over the two websites but once in the Group website, information is clear and comprehensive.

<table>
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<tr>
<th>Communication</th>
<th>Accessibility</th>
<th>Clarity</th>
<th>Engagement</th>
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<tr>
<td>Average</td>
<td>There is a clear link on the homepage to corporate responsibility but the initial information provided is very generic and it is difficult to find detailed information. However, clicking on a link to ‘NAB Group approach’ takes you to a different website that provides significantly more detail and is very clear and easy to navigate.</td>
<td>For the first time in 2010, NAB has integrated its corporate responsibility reporting into its Annual Report, demonstrating awareness of the changing expectations in this area and clearly aiming to be a leader in the field: “In 2010, we have integrated our Shareholder Review and Corporate Responsibility Review into one document, the Annual Review. It’s written for all our stakeholders because it’s clear that the success and sustainability of our business depends on doing the right thing by many”. However the ‘integrated’ nature of the report is not convincing – sections on the Performance of each business unit are then followed with the usual sections of a Sustainability Report – Customer, People, Community, Environment etc. There is nothing explaining overall governance or the implementation of sustainability.</td>
<td>On the NAB Group website under ‘Our approach’ is a section on stakeholder engagement which contains a clear table listing all stakeholder groups, methods of engagement and issues of interest.</td>
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COMMITMENT: ABOVE AVERAGE

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<tr>
<td>Application level A+ GRI checked GRI Index</td>
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<td>Yes</td>
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<tr>
<td>Yes</td>
<td>Yes (for UK business)</td>
<td>Yes</td>
<td>Yes, Equator Principles and UNEP Finance Initiative</td>
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</table>
LEADERSHIP: ABOVE AVERAGE
Statements of business drivers and high level responsibilities/governance structures are provided but with little detail on how they function in practice.

Sustainability strategy and policy
Under ‘Our approach’, there is the following description of the business drivers for sustainability, including linkage to core strategy in the area of reputational benefits:

“Being a responsible business enhances and protects our reputation, one of our four strategic priorities. It helps us to attract and retain high quality employees, manage risk, identify new opportunities in emerging markets and build deeper and stronger stakeholder relations.”

There is also a clear diagram under ‘creating value’ demonstrating the business value created by operating responsibly.

Sustainability governance and leadership structures
On the corporate responsibility part of the NAB Group website under ‘Governance and risk management’ there is a fairly generic statement on the governance of corporate responsibility:

“The Board has retained authority for the highest level of oversight of corporate responsibility governance across the Group. The Board monitors corporate responsibility strategy, policy and performance on a regular basis. Management accountability rests with our Group CEO and senior executives across the Group. Each business is responsible for meeting the Group’s corporate responsibility commitments and for achieving its own, and any agreed Group targets in corporate responsibility related areas.

Senior management is accountable for delivery of our corporate responsibility strategy, including the periodic review of our CR framework and policies. Regional executive committees or designated senior executive subcommittees are responsible for monitoring implementation of corporate responsibility strategy and initiatives.”

There is also a link to the ‘Corporate Responsibility Policy’ which has a section on CR Governance committing each major region to:

- Establish a CR function
- Establish a senior management group to provide oversight and accountability for CR
- Consider CR matters at least quarterly
- Update the board at least annually
- Establish a CR Framework and procedures

Although very non-specific, this is a good overall statement setting a basic framework for governance of CR.

The Governance section of the website mentions several topic-specific committees that monitor certain areas of CR, but does not give any information on how they function in practice:

- Group risk management committee
- Group Climate Change and Environment Committee
- Australian Community Advisory Committee.

IMPLEMENTATION: AVERAGE
NAB provides a very minimal statement on implementation, but a good explanation of how the sustainability performance is integrated into remuneration policy.

Systems and processes
There is a brief statement on the website under ‘Our approach’ that corporate responsibility is implemented through:

“Installing governance structures and internal communication that ensure corporate responsibility is understood by our leaders and our people, and results in balanced decision making”.

This links to the ‘Governance and risk management’ section mentioned above, which describes the higher level leadership of CR, but does not give any detail on implementation.

Remuneration policy
NAB has recently moved to link corporate responsibility to remuneration policy:

“Last year, we introduced an improved performance management framework. The short term incentive (STI) plan rewarded our executives for financial performance, customer satisfaction measures, improved community and stakeholder reputation, improvement in market share and improved employee engagement.” (Annual Financial Report 2010, p16)

There is a diagram explaining how the STI scheme works, with individuals being assessed both through a behavioural assessment designed to embed company culture and against a scorecard of financial and non-financial measures:

“Individual scorecards have four key business drivers. These are:

- Financial and risk management;
- Strategic projects and process quality;
- Employees and culture; and
- Customer and community.

Under each of these drivers an employee will have objectives linked to the Group’s strategy that they need to achieve” (Annual Report, p18).

There was no information on the percentage weightings of the different scorecard measures.
Qantas' sustainability information is spread across three different documents (the Annual Review, Annual Report and Qantas Data Book) making it difficult to navigate. This appears to be a consequence of an attempt to integrate reporting for the first time in 2010. There is information on specific issues, but very little information on overall governance and implementation of sustainability.

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<tr>
<td>Below Average</td>
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**COMMUNICATION: BELOW AVERAGE**

Information is spread across three pdf documents making it difficult to navigate, and there is a lack of information on the company's overall approach to sustainability.

**Accessibility**
The home page has a customer focus for the purchase of flights. One click on 'About us' brings up options to look at specific sustainability issues relevant to the company, for example under 'Environment' there are links to information on sustainable aviation fuel, climate change or noise management. It is much harder to find information on the company's general approach towards the management and implementation of sustainability strategies. There is no link to sustainability under 'Our company' and the Sustainability Report was only found by going to the section for Investors.

**Clarity**
Three links are provided for 2010 sustainability information (the Annual Review, Annual Report and Qantas Data Book) as opposed to one link to a Sustainability Report for previous years. Presumably Qantas is making an effort to integrate sustainability into its wider reporting but, without any explanation to this effect, it is difficult to know which of the three links to choose, and why the information is spread so widely. The attempt to integrate sustainability reporting seems to have spread the information and made it repetitive and difficult to find. Three sources have to be checked against each other and all contain slightly different versions of the same thing.

The Annual Review has sections on Safety, Sustainable operations, People, Customers, Environment and Corporate citizenship as well as on the different airline brands, operations and financial performance. It is a nicely rounded document with a clear table on the key sustainability challenges and Qantas’ response to each. It is only at p25 that there is an explanation of how this document fits with the other published reports:

“Key sustainability metrics can be found on pages 107 to 114 of the Annual Report. Supplementary investor sustainability information can be found in the Qantas Data Book, available from qantas.com.”

This makes the job of the reader quite difficult.

**Engagement**
Stakeholder engagement is mentioned on p26 of the Annual Review under Sustainable operations, but no detail is provided.
COMMITMENT: AVERAGE

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<tr>
<td>GRI indicators are mentioned as giving the company guidance, but no application level has been declared.</td>
<td>Yes</td>
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UN Global Compact | Corporate Responsibility Index | London Benchmarking Group | Industry specific |
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LEADERSHIP: BELOW AVERAGE

Qantas demonstrates understanding of the need to integrate sustainability and core strategy, but offers no information on how this is being approached – the relevant committee has a very wide remit.

Sustainability strategy and policy
Squeezed at the back of the Annual Report are Sustainability Statistics and Notes that give some information on the company’s overall approach to sustainability reporting, confirming the recent move towards increased integration:

“Following the new Management team’s refinement of the Group’s vision and strategy in 2008/2009, 2009/2010 presented an opportunity to better align the Group’s approach to sustainability to business strategy and the drivers of value for the Group. The Group’s overall sustainability strategy is integrated within the Group’s business strategy. There is no stand-alone sustainability strategy” (Annual Report, p107).

Similarly, the introduction to the Environment section states that,

“from innovations in fuel conservation and flight planning to on-board recycling, care for the environment is integrated with the Qantas Group’s business strategy”.

However, there is nothing on overall governance of sustainability, nor how it is managed and implemented.

A table in the Annual Review (p26-27) demonstrates the key sustainability issues identified by Qantas but gives no information on overall governance and leadership.

Sustainability governance and leadership structures
The website states that, “Sustainability forms an important aspect of the Qantas Group’s Risk Management program, governed by the Board” and directs the reader to the general corporate governance statement.

Towards the back of the Qantas Data Book, in the depth of the Corporate Governance section is a statement:

“Qantas Board oversight of sustainability including ESG performance is provided by the SHESC and the Audit Committee and is governed by the Qantas Corporate Governance framework.”

The SHESC committee stands for the Safety, Health, Environment and Security Committee which at p24 of the Annual Report is described as being responsible for:

- Safety, health, environment and security matters
- Compliance with related legal and regulatory obligations.

IMPLEMENTATION: BELOW AVERAGE

There is no information on implementation, while a list of sustainability indicators linked to remuneration is included, but no detail on exactly how they are incorporated.

Systems and processes
There is no information on who is responsible and accountable for implementing sustainability strategies nor the systems used.

Remuneration policy
There is some integration of sustainability performance into remuneration policy. Short-Term incentives are based on Group Underlying Profit Before Tax (65%) and Other financial and Non-financial measures (35%) (Annual Report, p34). An example Performance Scorecard is included at p41 which demonstrates that non-financial measures include customer service, operational punctuality, people/safety and cost reduction. Thus some sustainability indicators are included although their relative influence is not described.
Telstra has recently renewed its focus on sustainability in terms of developing a new framework intended to be more strategic. However, the new framework appears to be based on four rather generic aims. The company has chosen to use the term ‘corporate citizenship’ and has set up a management committee to govern strategy and performance.

**Leadership | Commitment | Communication | Implementation**

| Average     | Average     | Above Average | Below Average |

**COMMUNICATION: ABOVE AVERAGE**
Telstra provides clear information which is easy to navigate — some areas were lacking slightly in detail but others made up for it with clear tables on performance and engagement.

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<thead>
<tr>
<th>Accessibility</th>
<th>Clarity</th>
<th>Engagement</th>
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<tr>
<td>There is no mention of sustainability anywhere on the home page. The first place to try was the sub-heading ‘Investor Centre’ under ‘About Telstra’ and at the very bottom (not easy to see) was a heading, Corporate Citizenship and Strategy, with the option to view more. Interestingly, on a later viewing of the website ‘Corporate Citizenship’ was found more easily and directly at the top of the ‘About Telstra’ page.</td>
<td>Once you enter the Corporate Citizenship area the links are clear but information is quite generic and repetitive, for example, under ‘Commitment’ there is a similar bullet point list of aspirations to that under ‘Governance’. Some pages (e.g. reports) have additional tabs mid-page that were missed on first viewing.</td>
<td>The Corporate Citizenship Report contains a diagram identifying the company’s stakeholders. Mechanisms for engagement with each of the stakeholder groups are listed on the website (there is a reference to the website in the Corporate Citizenship Report).</td>
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<tbody>
<tr>
<td>Application level C+ Third party checked GRI index</td>
<td>Yes</td>
<td>There is no clear statement that they are currently included, but it is mentioned on p14 of the Corporate Citizenship Report.</td>
<td>Yes</td>
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<td>Yes</td>
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LEADERSHIP: AVERAGE
Telstra shows awareness of the need for a strategic approach and is in the process of developing improved governance structures.

Sustainability strategy and policy
The Chairman’s message introducing the Corporate Citizenship Report shows a clear awareness of the need to be more integrated and strategic about corporate responsibility:

“We are thinking more strategically about what good corporate citizenship means. We have developed a new corporate citizenship framework and strategy, which focuses on our leadership and culture, and the creation of shared value.”

The Corporate Citizenship Report (p13) explains that Telstra has a new strategy in relation to corporate citizenship:

“While Telstra has had a long-standing commitment to corporate responsibility, under the leadership of CEO David Thodey and Chairman Catherine Livingstone, there has been a renewed focus on Telstra’s efforts in relation to engagement, alignment with business goals and accountability. As a result, in 2009/10 we reviewed our corporate responsibility practices and performance and developed a new company framework and strategy.”

The Corporate Citizenship Report (p13) contains a figure illustrating the company’s Framework for Corporate Citizenship, but it is rather generic and could apply to any company. For example, the four central pillars of the Framework are:

- Conduct our business fairly, honestly and with integrity;
- Contribute to the health and wellbeing of society;
- Make Telstra a great place to work;
- Improve the environmental outcomes of our operations and offerings.

The website has clear tables on key performance indicators and planned actions in each of the identified areas of corporate responsibility. However, the one planned action relating to the governance of corporate citizenship – the establishment of an expert panel to advise the Corporate Citizenship Council (see below) – was not achieved.

Sustainability governance and leadership structures
On the website, under ‘Approach’ there is a link to a section on Governance of Corporate Responsibility. It starts out with some general corporate responsibility aims and then explains that:

“Telstra’s corporate citizenship strategy and performance is governed by the Corporate Citizenship Council, comprising nine of Telstra’s Group Managing Directors.”

In the Corporate Citizenship Report there is one additional sentence on how the Council’s work feeds into board decision-making:

“The Corporate Citizenship Council provides quarterly progress reports to the CEO. In addition, since February 2010, corporate citizenship has been a standing item at Telstra Board meetings.”

In the Corporate Governance statement in the 2011 Annual Report (p38), the creation of a new role of Chief Sustainability Officer is also mentioned.

IMPLEMENTATION: BELOW AVERAGE
There is nothing on overall implementation systems, sustainability is not included in short-term incentives, but there is a bonus based on customer satisfaction.

Systems and processes
There is no statement on how corporate citizenship initiatives are implemented in general. The website, under ‘Reporting on Performance’, contains a clear table on planned actions and progress made towards them, but this does not give information on overall governance and the processes for implementation.

Remuneration policy
Telstra’s 2010 Remuneration Report does not suggest that executives are rewarded for their sustainability performance:

“For all Senior Executives… the fiscal 2010 performance measure of the STI Plan were Free Cashflow, EBITDA, Total Income, Broadband Retail Revenue, PSTN (Public Switched Telephone Network) Revenue and Individual Accountabilities” (Annual Report 2010, p62).

There is no further disclosure on what were the elements of the ‘Individual Accountabilities’. There are reasons given for the choice of measures, and sustainability is not mentioned:

“These performance measures were selected for the STI Plan as they are seen as a critical link between achieving outcomes for the business strategy and increasing shareholder value” (Annual Report 2010, p62).

However, in 2010, the company initiated a bonus based on customer satisfaction which covered all Australian permanent employees – this can be said to be linking its corporate citizenship strategy with remuneration policy. Customer satisfaction was included as one of the CEO’s Individual Accountabilities.
WOOLWORTHS.COM.AU WOOLWORTHSLIMITED.COM.AU

Woolworths has two websites, one consumer-focused and one corporate, that are not well-integrated. Both contain sustainability information but this is much less comprehensive on the consumer website, and links to the other website are not provided. The Corporate Responsibility Report contains much higher quality information but the pdf report is very difficult to download. This is one of the few companies that gives clear, practical information on how sustainability issues are managed and implemented at site level.

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COMMUNICATION: BELOW AVERAGE

It is difficult to find and download the high quality information, and the two websites are not well-integrated.

Accessibility

Woolworths has two different websites which is rather confusing. The Woolworths website is the consumer-focused website with online shopping and recipe ideas. On reviewing the website, it was not clear for quite some time that there was another website Woolworths Limited, with corporate/investor-orientated information. There is no link to this other website under ‘About us,’ only a tiny link at the base of the home page ‘Woolworths Limited’.

Under the Sustainability section of the non-corporate website there is a brief introduction to many topics including Recycling and Sustainable supermarkets. At the end it says, ‘for further detail on Woolworths sustainability initiatives see our Corporate Responsibility Report’, but there is no link to the report.

Clarity

The non-corporate website has a section ‘About us’ which includes a section on ‘Our planet’. This provides sustainability information but it is rather vague with somewhat meaningless targets, for example:

“Aim: At Least 200 Million Liters of water to be saved each year – Progress in 2010: Woolworths have surpassed this target. We have saved 302 Million liters of water.”

This statement has little meaning because it gives no indication of how much water is used in total, what it is used for and how the savings were implemented.

If and when you find the Woolworths Limited website, the sustainability information is still relatively sparse – however you can download the Corporate Responsibility Report (although this failed several times and takes a long time to download,) which contains much more comprehensive and meaningful information than the consumer website. The company appears to be ‘dumbing down’ for consumers in relation to these issues.

In fact, the Corporate Responsibility Report was excellent, easy to navigate and comprehensive, but very difficult to find and download, such that the average stakeholder might never see it.

Engagement

At p8-9 the Corporate Responsibility Report has a very clear table listing the company’s different stakeholders and the methods of engagement used in 2010. It also includes the results of engagement in a column entitled ‘What they told us they expect’. It goes on to give details of its Engagement Framework for new stores and four pages listing various ‘Issues of public interest’ with cross references for further information. Thus, this is a very good section on stakeholder engagement.
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LEADERSHIP: ABOVE AVERAGE

Well-articulated strategies are provided and detail on how the board and senior management monitors, leads and gets external advice.

Sustainability strategy and policy
The Chairman’s introduction to the Corporate Responsibility Report has a strong focus on the company’s efforts to mainstream sustainability and integrate it into business decision-making:

“During 2010 we sought to mainstream sustainability into our business more than ever before. Critical to this process is senior management engagement, which is why we instigated a Sustainability Executive Committee to oversee the approval, implementation and review of key initiatives” (p3).

This statement is supported in the section on ‘Our approach’ which has a paragraph on the ‘mainstreaming of corporate responsibility into our business’:

“Embedding responsible and sustainable business practices into our decisions and processes is key to making them mainstream. Specific strategies that explain our priorities and commitments for ‘Doing the Right Thing’ include our Destination Zero safety strategy, Sustainability Strategy 2007–2015 and Community Investment Strategy. These strategies are embedded in the business planning process at the relevant divisional level. The Strategic Plans are on five year rolling bases and are reviewed annually to ensure they remain aligned with material issues” (p5).

Despite this positive start, the statement dealing with the Governance Framework (p5), is a little disappointing suggesting that the board only gets involved in sustainability because of its link to reputation and shareholder value:

“Integral to shareholder value is protecting and enhancing our reputation and this is why the Board oversees the Company’s approach to corporate responsibility and sustainability.”

Sustainability governance and leadership structures
Reporting to the board is explained as follows:

“Corporate responsibility and sustainability performance is reported to the Board on a monthly basis on topics that can include targets, policy implementation, regulatory changes and compliance, risks and opportunities. Further details are provided in quarterly presentations to the Board on key performance indicators, emerging issues and reputation” (Corporate Responsibility Report, p5).

Also the Corporate Responsibility Report goes on to explain the role of two senior management committees that deal with corporate responsibility issues — the Safety and Health Executive Committee which:

“….meets monthly to evaluate the implementation of the safety and health vision, principles, policy, standards, strategy, initiatives, procedures and governance across the Group”

…and the Sustainability Executive Committee, which:

“…ensures our sustainability strategy is implemented in a timely and cost effective manner. The committee monitors progress in meeting our targets, reviews trends in legislation and public opinion, ensures compliance with relevant legislation, and reviews and approves business cases, policy positions and relevant new technology” (p6).

In addition, the company has a corporate responsibility advisory panel which provides advice to senior management.
IMPLEMENTATION: ABOVE AVERAGE
There is a good discussion of leadership at lower levels and a clear explanation of the nature of sustainability performance indicators included in the remuneration scheme.

Systems and processes
The Chairman’s introduction to the Corporate Responsibility Report (p3) explains that their efforts to mainstream sustainability have helped the implementation process:

“Business decisions are now more frequently assessed on the basis of both fiscal and sustainability outcomes and the growing cultural awareness helps support the delivery of those decisions right through to the shop floor.”

Under our approach, the Corporate Responsibility Report talks not only about leadership at senior management level (above) but also at divisional level where there is a Sustainability Coordinators Committee:

“...comprising sustainability champions from retail businesses and logistics, identifies business processes that need to be adapted to enable sustainable practices, shares ideas across divisions and facilitates our Eco Ambassadors program” (p6).

There is a similar explanation of how Safety and Health is managed with the support of dedicated Safety, Health and Environment personnel and formal joint management-worker committees at site/store level.

The ‘Sustainability Strategy 2007-2015’ document mentions implementation on the last page:

“Like any strategy, the proof is in the implementation. Our team is in the process of developing detailed implementation plans and performance indicators that will be rolled out across the company to help us meet the commitments set out in this document” (p28).

It appears, therefore, that this process did occur and is reflected in the significant detail in the 2010 report.

Remuneration policy
Like the Corporate Responsibility Report, the Annual Report took many attempts to download. In the introduction to the Remuneration Report (p37) it explains that

“short-term performance is linked to both financial and non-financial performance measures”.

The use of sustainability performance indicators in the Short-Term Incentive Plan (STIP) is explained further at p38:

“In line with the Company’s strategy of achieving long-term sustainable profit growth, it was recognised that non-financial measures also impact profitability, so non-financial measures such as reducing staff turnover rates and improving performance in areas such as safety, shrinkage, inventory control and food safety compliance ratings have been targeted to provide a balanced approach. In line with achieving our ‘Destination Zero’ objectives, safety measures have been added to or increased in all STIPs to ensure there is sufficient focus on both employee and customer safety.”

It is not clear exactly how remuneration is varied based on these performance indicators, however, there is a statement that:

“STIP is payable upon the achievement of a number of measures, with 60% to 70% of the total maximum percentage based on key financial objectives and 40% to 30% based on non-financial or individual objectives” (p38).
10. WESFARMERS

WESFARMERS.COM.AU

Wesfarmers website has one introductory page on sustainability which links to its online Sustainability Report. Information is very easy to find and navigate, however no link has been made between governance (it simply refers to corporate governance) and sustainability. There is no overall framework or policy on sustainability other than the statement by the managing director that Wesfarmers effectively takes an ‘enlightened shareholder view’ of sustainability.

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**COMMUNICATION: ABOVE AVERAGE**

Clear, simple to access, easy to read and appears comprehensive.

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<td>The Wesfarmers home page has a prominent direct link to its Sustainability page which contains a statement on broad, generic aims and a list of reports produced. These include the Sustainability Report 2010 and a separate GRI index, a list of sustainability indicators and a Stakeholder Engagement Report. Also on this first page is a list of the commitments and initiatives that the company is involved in. Everything is very easy to find from this one page. The website itself does not really contain much information but directs you towards it very well.</td>
<td>The information is clear and easy to read. There is a useful chart of how each business measures against various sustainability performance indicators such as energy use and safety data.</td>
<td>Under stakeholder engagement (Sustainability Report, About this report) it is acknowledged that mapping of stakeholders and formalisation of engagement processes has not occurred for the whole Wesfarmers Group. However, engagement with stakeholders has been assessed in relation to the corporate entity Wesfarmers Limited, and the executive summary of this assessment is shown.</td>
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Additional Note: The Sustainability page of the website lists the company’s public reporting commitments, memberships and accreditations. It mentions reports under the the Energy Efficiency Opportunities and National Greenhouse and Energy Reporting systems, without making it clear that these are mandatory.
LEADERSHIP: BELOW AVERAGE
There is nothing on leadership and governance, and in fact the use of the term governance suggests poor understanding of the concept.

Sustainability strategy and policy
The introduction to the 2010 Sustainability Report appears frank and honest, dealing with the key debates over sustainability and clearly explaining Wesfarmers enlightened shareholder value approach.

Sustainability governance and leadership structures
There is nothing on overall governance, accountability, responsibility or implementation of sustainability. Of course, this may be a consequence of the fact that Wesfarmers owns a very diverse range of businesses spanning retail, resources, insurance, energy and other industry sectors.

However, delving into each of the businesses, this level of information was still lacking, despite a heading entitled ‘Governance’ in the reporting for each business. For example, the Governance section for Coles supermarket simply details various actions taken e.g. stocking only BPA-free baby bottles, trialling trolley wheel locks. For Target it discusses ethical sourcing policies and for the insurance business there is a discussion of improving risk management.

Going to the Wesfarmers GRI index, the company claims the information on governance of economic, environmental and social performance (GRI guideline 4.9) is in its Annual Report 2010, pp.63-65. This is the company’s Corporate Governance Statement, but it does not specifically explain how sustainability is governed.

IMPLEMENTATION: BELOW AVERAGE
No information is provided on implementation. There is a suggestion that safety performance could be integrated into remuneration policy but it is not clear how.

Systems and processes
There is no information on overall governance, accountability, management responsibility or implementation of sustainability priorities.

Remuneration policy: The performance of senior executives is based on a mixture of financial measures (such as net profit, earnings, return on capital) and non-financial measures (safety, succession, talent, management, sales growth, inventory days) (Annual Report, p155).

There were also individual objectives but there was no further disclosure on what constituted these objectives. The inclusion of non-financial measures such as safety in the performance criteria suggests some linking to certain sustainability factors, but the extent and nature of this linkage is unclear.
Coca Cola has retained all its sustainability reporting within its formal Sustainability Report which is available in interactive online format. Reporting is not based on an independent standard but on Coca Cola’s global framework which comprises four pillars: Environment, Marketplace, Workplace and Community. There is a section on Strategy and Management which includes a small section on Governance, but this is fairly dry and factual with a strong compliance focus, for example lists of directors, committees and standards met.

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**COMMUNICATION: AVERAGE**

Clear, easy to find and access as it is all in one place, but not as comprehensive as some.

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<td>There is a sustainability tab at the top of the home page which links to a page with strikingly little information – just a link to their Sustainability Reports, a link to their Action Plan under the Australian Packaging Covenant, and a link to their Energy Efficiency Opportunities Reports. There is no information on the website itself.</td>
<td>The company’s Corporate Responsibility Report (CR Report) is clearly presented (both online and to download) and appears comprehensive, making up for the lack of information on the website itself – in some ways it is clearer to have all the information in one place.</td>
<td>There is a section in the CR Report (p16) on stakeholder engagement with a clear table identifying the company’s stakeholders and the methods of engagement with each.</td>
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Leadership: Below Average
Coca Cola projects a compliance-focused rather than strategic approach, although a dedicated committee does exist.

Sustainability strategy and policy:
In the CR Report, under ‘Strategy and management’ (p12) the company states:

“As CCA broadened its business and product portfolio even further in 2008-2009, we continued to strengthen our approach to sustainability, deepen our engagement with stakeholders and further embed sustainability considerations into operational and business planning processes. “

The first thing that is mentioned after this sentence is CCA’s mandatory reporting under the NGER Act, EEO Act and NPI Act, giving the impression of an approach to sustainability that goes little further than compliance. This impression is consolidated by the description of CCA’s supplier principles as follows:

“These are TCCC’s ‘social compliance’ or ‘social responsibility’ guidelines which state that all suppliers to TCCC will comply with local law, including in respect of collective bargaining, wages and benefits, working hours and overtime, safe working conditions and the environment” (CR Report, p12).

Sustainability governance and leadership structures
There is a board sub-committee focused on corporate responsibility but the Company's compliance focus is evident in the choice of board sub-committee name ‘compliance and social responsibility’ and the work that it does:

“CCA reports key sustainability metrics under our four pillars - Environment, Marketplace, Workplace and Community - to the Compliance and Social Responsibility Committee of the Board. Each quarter the Group reports to the Committee on compliance with relevant laws, including occupational health and safety, environmental protection, product safety and trade practices. With social responsibility, the Committee reviews policies and reports and makes recommendations to the Board, where appropriate, on quality standards, political donations, community sponsorship and support and relevant social issues such as obesity and environmentally sustainable initiatives” (CR Report, p13).

Implementation: Average
There are implementation systems for some priority areas, but not in a wider sense, and a suggestion that remuneration policy might integrate certain sustainability indicators, but it is very unclear how.

Systems and processes
Looking into the detailed sections of the report it is evident that there are processes in place for the management and governance of sustainability issues, for example:

“All supply chain team leaders and managers have water use/management as a KPI in performance plans… Quarterly water use ratios across the Group are reported to the Compliance and Social Responsibility Committee of the Board” (CR Report, p27).

There is no statement on overall governance and management of implementation, but it could be argued that issue-specific detail is more helpful. However it does seem that the company has focused on one specific issue – water savings as its priority issue and there is less comprehensive information on other issues.

Remuneration policy
The company does not make it clear that sustainability performance is included in executive remuneration policy. Short-term incentives are “determined by reference to achievement of pre-determined business performance and individual performance measures” (Annual Report, p16). It does say that incentives are assessed “against multiple financial and non-financial business measures that aligned with CCA strategy” (Annual Report, p16). Thus it is possible that sustainability measures are included in the non-financial category.

There is also a statement that “remuneration systems will complement and reinforce the Company’s Code of Conduct and succession planning”. Lastly there is a reference to business performance being based on various performance drivers, most are sales or profit measures, but Occupational Health and Safety is also mentioned (Annual Report, p18). Thus it is possible there is some inclusion of limited sustainability performance factors in the remuneration policy, but it is not clear exactly how and to what extent these factors are considered.

On the basis that measures are not included, there is a presumption that they are not deemed key performance drivers of the Company:

“The Committee approved performance measures are designed to align executives’ rewards to the key performance drivers of the Company” (Annual Report, p19).
FOSTER’S GROUP

FOSTERSGROUP.COM
Foster’s Group introduces its Sustainability page by stating that they have recently transformed the way they manage and communicate sustainability, focussing on eight priority issues that directly impact the business. The website has eight headings, six are specific sustainability issues and the other two deal with ‘Sustainability Governance’ and ‘Leadership and advocacy’.

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COMMUNICATION: ABOVE AVERAGE
Clear, easy to navigate, good links between website and online report.

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<td>At the time of first review there was a heavy focus on sustainability on the home page with a large and obvious direct link to the Sustainability page. On a second review this link had gone, leaving only a smaller heading ‘Sustainability’ at the top, but still only one click to the Sustainability page.</td>
<td>There is a clear link to the Sustainability Report 2010, which is easy to navigate and follows the same format as the website – the website ‘fact sheets’ take you to the relevant pages of the report.</td>
<td>There is a fairly generic statement on the ‘Sustainability governance’ section of the website on Stakeholders’ engagement: “Foster’s key stakeholders include our investors, employees, customers and consumers, non-government organisations, suppliers and commercial partners, the communities we operate in, regulators and governments. We maintain an open dialogue with these stakeholders.”</td>
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LEADERSHIP: ABOVE AVERAGE
Foster’s has understood the need for a strategic approach and for the development of executive level responsibilities focused on specific topics.

Sustainability strategy and policy
On the Sustainability page, Foster’s explains that they have “recently transformed the way we manage and communicate our sustainability programs and progress – focusing our activities around the issues that directly impact our business.”

Sustainability governance and leadership structures
The third sentence refers to the “Foster’s Group Executive as the governance and ultimate decision making body, reviewing and setting the agenda and driving our sustainability performance.” Thus there is early mention of Sustainability Governance and a link to a section dedicated to the topic.

The section on ‘Sustainability Governance’ explains that:
“Foster’s Group Executive is actively involved in the governance of sustainability at Foster’s, including regular inclusion of sustainability issues on meeting agendas. Foster’s sustainability priorities and action plan are subject to Group Executive consideration and approval. The Foster’s Board also receives updates throughout the year. Foster’s annual Sustainability Report is approved by the Foster’s Group Executive and Board.”

There are some topic-specific committees at senior management level:
“Overseen by the Board, an Occupational Health and Safety (OHS) Council continues to coordinate and oversee OHS activities across the Group. In addition, a number of issue-based Leadership Teams are also in place, made up of global managers who meet regularly to oversee management and drive continuous improvement, including:
- Environment Leadership Team
- Global Procurement Leadership Team
- Quality Leadership Team
- Global Community Leadership Team”.

Disclosure of board and executive level responsibilities in relation to sustainability was one of Foster’s priority actions in its 2010 Sustainability Action Plan.

IMPLEMENTATION: AVERAGE
The company refers to operational level implementation and training, but gives no clear statement about the integration of sustainability into remuneration policy.

Systems and processes
The website section on ‘Sustainability Governance’ explains that:
“At the operational level, the sustainability program is managed by functional and subject matter experts, accountable for developing policy and the management and delivery of programs and priorities.”

Under ‘Leadership and advocacy’ there is information on employee sustainability training:
“Foster’s recognises the pathway to sustainability is enabled by a knowledgeable and committed workforce. We deliver communications to, and specific training for, employees on key areas of sustainability. The process is managed by functional and subject matter experts responsible for the policy, management and delivery of programs and priorities.”

In its 2011 Sustainability Action Plan, Foster’s priority actions are to:
“develop business unit specific sustainability issue analysis” and “establish business unit leaders as champions for sustainability”.

This shows an awareness of the need to integrate sustainability through the company.

Each sustainability topic in the Sustainability Report is introduced with a section that includes a statement on Strategy/approach, which in some cases, e.g. product stewardship (p24) refers to the policies and management systems that are used to implement the relevant strategy.

Remuneration policy
There is no formal reporting by Foster’s of any integration of sustainability performance into remuneration policy.

Short-term incentives are based on Group and Business Unit financial measures as well as individual priorities, although there is no information on what these might comprise (Annual Report, p17).

However the Corporate Responsibility Index Feedback Report is made available (under ‘Sustainability Governance,’) and this rates the company at 100% on integration into remuneration and bonus systems. It may be that the company is somehow integrating sustainability performance into its incentive systems, but not making this clear in its Remuneration Report.