

RESEARCH PAPER

Corporate Sustainability Reporting in New Zealand

Prepared for

**Parliamentary Commissioner for the
Environment**

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Sustainability Reporting Award Winners 2006

1.1 Overview

In 2002 the Parliamentary Commissioner for the Environment (PCE) signalled in his “Creating Our Future” report, the emergence of “Triple Bottom Line” (environmental, social and economic performance) reporting in New Zealand:

“Other options include the business sector adopting models such as Triple Bottom Line (TBL) reporting and The Natural Step that raise awareness about sustainable ways of doing business.” (p 17)

Since that time TBL reporting has continued to develop in New Zealand in both the public and private sector albeit in a variety of forms and under a variety of names – including Sustainable Development Reporting, Corporate Responsibility Reporting, Sustainability Reporting. This paper provides an update on TBL reporting in New Zealand since 2002 and covers:

- The International Context
- The State of Reporting in New Zealand today
- The Value of Reporting
- Concluding Comments

While the paper provides a brief commentary on TBL reporting by public sector agencies, the focus of the paper is on reporting by the business sector (including CRIs and state owned enterprises).

This paper does not attempt to provide a critical and thorough analysis on the extent to which corporate sustainability reporting contributes to sustainable development per se, although some comment is made on the subject.

1.2 Study Methodology

The paper draws on the consultant’s experience, desk based research and field research with individuals involved in sustainability reporting in New Zealand. The Appendices provide a full listing of those interviewed and a summary of the interview feedback.

1.3 About the Authors

Kerry Griffiths, Principal Sustainability Consultant URS New Zealand (URS), is the lead author of the paper. Gael Ogilvie, Senior Principal URS, peer reviewed the paper. Both Kerry and Gael have been extensively involved in the area of corporate sustainability reporting in New Zealand since its inception. They have delivered workshop and conference papers, advised clients on the development of such reports and led an extensive number of report assurance projects. They have also led the development of URS’s TBL report published for the fifth year in 2006.

Julia Lindesay and Michael Field from the Sustainable Solutions Group at URS contributed to the research and writing of this paper.

1.4 Acknowledgements

The background information for this paper was made possible by the generous contribution of a significant number of people in the business community, in academia and in the public sector in New Zealand and from a handful of international experts. The authors would like to thanks all who contributed for the experiences and research shared and the insights so willingly given.

2.1 Extent of Reporting

Internationally, there has been a substantial uptake in TBL reporting by businesses since 2002 however it is important to note that the majority of companies still report primarily on financial performance only.

2.1.1 Number and focus of reports

SustainAbility et al (2004) note that while world wide there were approximately 100 non-financial reporters (in hard copy) in 1994, by 2003 this had increased to 600 hard-copy reporters and 1,300 electronic reporters. Likewise, Kolk (2003) notes that 50% the 1998 Fortune Global 250 companies were undertaking SDR by 2001 with high levels of reporting in the UK, Japan and Germany. In 2005, 39 of the American Standard & Poors 100 companies were reported to have produced a CSR report with a dozen new companies producing reports the following year in 2006.

In terms of report focus there has been a transition from single focus environmental reporting in the 1990s through to a broader focus on reporting against aspects of environmental, health and safety, community and economic performance throughout the early 2000s (ACCA, 2006).

2.1.2 Reports by Sector

The large resource users and managers, (oil & gas, utilities, chemicals, mining, forestry, fisheries) have been reporting for some time and still dominate the reporting landscape however there are a number of sectors which have developed in their reporting over recent years, e.g. finance, securities and insurance, communications, food and beverage (Milne, 2006).

2.1.3 Reporting Drivers

While in the main TBL reporting remains a voluntary activity (a level of mandatory reporting has been in place in France since 2001), there have been recent initiatives which have looked at the introduction of mandatory reporting in the UK and Australia.

The international literature identifies a number of the drivers for TBL reporting including stakeholder demands, risk and reputation management, organisational efficiency, competitive pressures within industries and to some degree investor interest.

While there is still limited interest in the mainstream investment community, managers of sustainability indices such as the Dow Jones Sustainability Index and the FTSE4Good, and of ethical investment funds use reports as an indicator of a company's willingness to publicly disclose information on their social and environmental performance. Other indices such as the Corporate Responsibility Index (UK and now Australia and New Zealand) and Reputex (Asia, Australia, China) also make use of reports to assess an organisation's publicly reported TBL performance. In a recent report on investment in the mining

industry it was noted: “We see that there is a strong correlation between companies that don’t report and companies that score poorly in our Index” (Citigroup, 2006).

2.1.4 The Global Reporting Initiative

The Global Reporting Initiative (GRI) is a long-term, multi-stakeholder, international process to develop and disseminate globally applicable Sustainability Reporting Guidelines. The current guidelines, including reporting principles, recommended report content and a series of TBL performance indicators, were published in 2002.

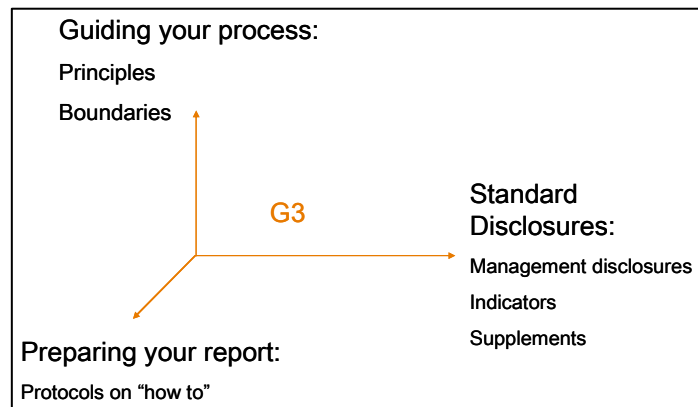
In 2006 more than 850 reports internationally purported to use the GRI guidelines (Dobowski-Joy & Rebernak 2006). Over a third of American S&P 100 reporters reported against the GRI guidelines in 2006 with six of the largest publicly traded companies reporting fully “in accordance” with the guidelines.

The SustainAbility et al 2004 study notes: “In 2002, we found a 60:40 ratio in GRI to non-GRI companies. This year, by contrast, the GRI is the only show in town.”

Since 2002 the GRI has produced the following sector supplements to provide more targeted guidance to reporters on the key sustainability issues and indicators in their industry:

- Financial Services
- Logistics and Transportation
- Mining and Metals
- Public Agency
- Tour Operators
- Telecommunications
- Automotive
- Apparel and Footwear (under development)
- Energy Utilities (under development)

In October 2006, the next generation of the GRI will be launched, incorporating feedback from reporters and stakeholders aimed at improving usability and advancing best practice reporting.

Figure 2-1 G3 Framework

2.1.5 Verification and Assurance

Seventy-eight percent of reports in the Top 50 of the Sustainability et al 2004 study have assurance in some form. Where standards are used, such as AA1000 Assurance Standard, assurance statements are reported to be of higher quality and utility (SustainAbility et al 2004).

Report assurance can be, and is, provided in different forms – including stakeholder panels and independent assurance providers verifying report content. In recent years a few companies (Shell, EDF Energy) have appointed an external review committee or stakeholder panel to issue public comment on the report. Such a committee includes experts who aim to increase the understanding of company's issues (Context, 2006).

2.1.6 Reporting Challenges

Materiality has emerged as the biggest challenge for SDR reporting – what is of “material interest” to stakeholders and therefore to be included in the report? – and is likely to be the focus of considerable energy and focus in the future (SustainAbility et al 2004). The challenges related to materiality seem to be two-fold:

- firstly, do companies understand sustainable development well enough to identify and articulate the related business risks and opportunities and how they should respond to them?
- And secondly once the risks and opportunities are understood - what are the business implications of publicly disclosing good and bad performance and potential future developments across such a broad performance area?

The key purpose of the reporting exercise is to build trust with multiple stakeholders – through transparent and relevant performance evaluation and disclosure. It therefore follows that the interests of the stakeholders and the key performance areas for the company should drive report content. However, a trend has evolved towards long and complex reports that result from companies trying to cover all

material issues as well as following the GRI and AA1000 guidelines (Context 2006). A disconcerting trend is the increase in report length with apparently little thought for significance and materiality. More evidence of the process an organisation uses to establish what is “of material” interest to stakeholders, and therefore what should be included in the annual report, is required e.g. companies could be reporting more on how they have used stakeholder engagement to refine strategic priorities.

Two positive changes noted in the SustainAbility et al 2004 study were that corporate governance is now on the agenda (noted as a need in their 2002 survey) and that the leading edge of reporting is expanding to embrace the wider economic bottom line. However, very few boards yet make the connections between corporate governance and the TBL agenda. The focus still seems to be on reporting rather than action. Other trends identified included increasing use of standardised report frameworks such as the GRI, integration of non-financial and financial performance, regulations (government mandated non-financial reporting) and consolidation (shake-out of concepts, content and language).

While successful reporters have a well-defined sustainability strategy and measurement systems in place, a key limitation of many reports is that they are not linked to the wider sustainability context of their industry. (Dobowski-Joy & Rebernak 2006).

“Sustainability reporting is still in its infancy. We have published only our seventh Shell Report last year, and more than 90 annual reports. So naturally sustainability reporting is still changing fast. I’m particularly pleased to see more substantive performance information coming into reports that in the past were mainly anecdotal — and welcome more use of the GRI.

On the negative side ... even amongst other reporting leaders, I still see too little willingness to talk about failures and too little input from credible, and sometimes critical, third parties.”

Jeroen van der Veer, Shell’s Chairman (SustainAbility et al 2004)

2.1.7 The Next Phase in Reporting

In November 2006, the Sustainability et al 2006 study will be released. This leading edge study is likely to provide further insights into the state of reporting internationally. Will the materiality issue have been adequately addressed by leading reporters? Are boards making the link between the corporate agenda and the sustainable development agenda? How will the G3 fare in advancing reporting? Has the financial community taken further steps in using sustainability reports as part of their risk profiling and investment decisions? What other questions and challenges will arise?

At a recent conference in Auckland, John Elkington (from Sustainability plc) raised the question of the competitive challenges of full disclosure particularly by innovative companies who are developing services and products to address the environment and social challenges faced by society.

3.1 Overview

In 2002 TBL reporting was in its early stages in New Zealand (NZ). During 2002 and the years that followed several enabling initiatives supported the uptake of TBL or sustainability reporting in the business community in NZ including:

- a series of workshops for NZBCSD member companies (and others) in 2003 – 2006. Each year about 5-7 companies have participated in the workshop (70% NZBCSD members, 30% non-members), with a workshop series for more mature reporters held in 2006.
- a series of TBL reporting workshops hosted by SBN in Wellington in 2001 and 2002
- the “Redesigning Resources” conferences (in 2000, 2002 and 2004) and workshops with eight businesses
- the publication of *Business Guide to Sustainable Development Reporting* (NZBCSD, 2002)
- the publication of "Enterprise 3 - Your business and the Triple Bottom Line: Economic, environmental, social performance", a guide for SMEs (SBN & MfE, 2003).
- The NZ Institute of Chartered Accountants (NZICA) Sustainability Reporting Section in its Annual Reporting Awards; and the establishment of the ACCA Australia and New Zealand Awards for Sustainability Reporting.

In line with this activity a growing number of NZ businesses began reporting on the environmental, social and wider economic dimensions of their activities and performance. A number of the early NZ reporters are now into their fifth or sixth reporting year.

Indicators over the last few years of the growing level of activity in reporting are:

- In 2003, the Centre for Business and Sustainable Development reports that of the 123 companies that responded to their survey (of corporate environmental responsiveness) some “44% of respondents returned evidence of some level of environmental/sustainability reporting”.
- In 2005, 56% of NZBCSD’s members (forty-nine as at June 2005) were established reporters and another 20% were planning to report in the following year. Members must report within their first three years of joining the council and external assurance is considered a sign of best practice. Business Council members now contribute around \$33 billion to the economy representing around 28% GDP and jointly employ over 55,000 people (NZBCSD, 2005).
- In 2006 seven NZ reporters submitted entries to the ACCA Australia and New Zealand Awards for Sustainability Reporting with four of these receiving awards. (see Appendix for 2006 award listings)
- In April 2006, two members of the Global Reporting Initiative team from Europe, delivered a well-attended *G3 Sneak Peek* event in Auckland, presenting first-hand a draft of the new guidelines.

Participation and discussion at this event demonstrated a on-going interest by reporters in the use of the GRI framework.

- In 2005, the Govt³ programme (which encourages sustainable practices within central government agencies) asked its members to report against 8 environmental indicators. Recent developments indicate a more mandatory approach to such reporting albeit focussed on the environmental performance of government operations.

3.2 Feedback from Practitioners

To understand the extent, focus and value of reporting ‘on the ground’, interviews were undertaken with sustainability reporting experts (including award judges), reporters (14) and a number of interested stakeholders (see Appendices for details).

The Experts / Award Judges

Discussions with those involved in the sustainability reporting industry indicate the following trends in growth and development of sustainability reporting in NZ:

- While there are a number of mature reporters in NZ every year a few new reporters emerge with recent examples being IAG New Zealand and Vodafone New Zealand in 2005 and Genesis Energy in 2006. Membership of the NZBCSD provides a good indicator of those intending to report.
- A shift in mainstream corporate annual reports – where the extent of the management commentary has changed / developed to incorporate non-financial information e.g. health & safety, good employer, increased governance information. Interestingly, in 2006, Watercare Services’ report won both the Sustainability Reporting and the Management Commentary section on the NZICA Awards.
- Growth in reporting tends to be sector based and/or where the parent company is strongly committed to reporting e.g. Vodafone, Westpac. As seen internationally key sectors are resource users and managers (energy; waste, water, fisheries) and the banking / financial sector (emerged since 2002).
- The FMCG (Fast Moving Consumer Goods) sector is generally lacking in reporting in NZ with a few exceptions. This sector is often involved in SD activity but not necessarily reporting e.g. Packaging Accord; Waste Programmes; Product Stewardship; CO₂ inventories.
- While some SMEs reported early e.g. Tall Poppies, Urgent Couriers, they have not sustained annual reporting. Small companies tend to report on their environmental and social actions through promotional materials / websites / pamphlets.
- In terms of content, as seen internationally, there are issues around full disclosure of material issues with organisations focussing on what they are comfortable with and not necessarily the most important issues. The primary focus of reports tends to be on environmental issues with less on

social factors or product implications. In the main the financials tend to be presented as the economic aspect of reporting, as opposed to reporting on the wider economic impacts.

- Supply chain management issues are starting to come onto the radar e.g. The Warehouse's work with suppliers in Asia.
- This group felt NZ reporters hadn't engaged as proactively with stakeholders on sustainability issues to the same extent that is seen overseas e.g. Nova Nordisk, Nike, Shell.
- While NZ reporters are generally not as advanced as best practice reporters internationally in terms of understanding the wider sustainable development agenda and reporting comprehensively on non-financial performance, in both 2002 and 2004, two NZ reports (Landcare Research and Watercare Services) featured in the Top 100 reporters in the Global Reporters Study (Sustainability et al).

The Reporters

Interviews with current and past reporters provided specific feedback on the level, method and focus of reporting:

- Forty three percent of organisations interviewed had produced 2 – 5 reports that they considered to be sustainability reports. Thirty six percent (all large organisations) had produce more than 5 sustainability reports while the SME's interviewed had only reported once or twice.
- Fifty percent of interviewees produce a separate sustainability report with the other half producing a combined report. Two large organisations included a summary of their sustainability report in their Annual Report.
- All interviewees produced and distributed a hard copy of their sustainability report and most provide an online report in pdf format. Some have experimented with different formats such as CDs, a poster, a newspaper insert. Some organisations include reference to more detailed web-based performance data, but sophisticated web-based reporting is not yet developed in NZ.
- The top four report audiences identified were shareholders, customers, employees and government stakeholders (ministers/local government). The latter reflects the organisations interviewed who have some accountability to government as a state owned enterprise or similar. The SMEs interviewed named only customers, employees and suppliers as their audiences.
- The average rating (on a scale of 1 to 10) on how much reports had changed over the last four years was 6.5 with a median of 5 and a range from 1 to 10. The key changes noted by interviewees were:
 - Started out with a more environmental focus and now is much wider
 - The contents of the reports have become more substantive with more attention paid to including material issues
 - Greater use of GRI guidelines

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- Assurance against the AA1000 has been undertaken
 - The format of the report has changed
 - The report content and issues addressed has changed in response to stakeholder feedback

Interested Stakeholders

Apart from shareholders, employers and customers there are a number of stakeholder groups who have an interest in sustainability reporting. To gain input from these users of reports interviews were carried out with a small number of representatives from NGOs, the investment community and the media. Their comments on the extent and development of reporting are summarised below:

- Not many NZ companies are producing sustainability reports – it is mostly overseas organisations and largely multinationals which have the highest quality reports.
- One organisation, which campaigned on specific issues, used available sustainability reports for this purpose e.g. Mighty River Power and energy issues.
- There are a few good examples but in general not many reports could be called best practice here compared to overseas. Over the last 5 years there has been progressively more development of and awareness of sustainability reporting.

Commentary on Reporting in Australia and NZ

NZICA Annual Report Awards (Judges Comments for Sustainability Reporting Category, 2006):

Some broad generic comments for entries for next year would include the need for more focus on:

- *providing clear definition as to the reporting boundary of the entity and how in particular its wider non-financial reporting relates to this defined boundary*
- *the value of good comparative analysis of key identified measures of the entities performance over time and how these may relate in a relative manner to other organisations' performance*
- *a clear definition of who the key stakeholders are, what their information needs are and how you ensured you understood these needs*
- *an assurance of the veracity of non-financial information.*

ACCA Australia and New Zealand Awards for Sustainability Reporting (Report of the Judges, 2006)

It is important to note that sustainability reporting for organisations that have very complex business issues, with large environmental or community concerns, requires these organisations to make more concerted efforts to genuinely identify and address these issues than smaller organisations (although

smaller organisations can also have large sustainability challenges). Many of the reports entered for the awards do not directly address some of their most important sustainability issues. ...

The judges would like to encourage some of the organisations who have been entering the awards since they began to challenge themselves to become more innovative in the way they report.

3.3 In Summary

As noted by Bebbington et al (2006):

“In summary, NZ is typical of other “developed” economies in that its government is progressively addressing elements of the SD agenda and there is a generalized engagement with SD issues on behalf of business organisations and individual businesses, although SD is not positively viewed by all commentators (e.g. Henderson, 2001). One way in which business engagement with SD is evidenced is via the development (on a voluntary basis) of SDR and/or triple bottom line reporting. Regardless of the terminology used, what is emerging in the NZ context is the provision of accounts of individual organisations’ interactions with society and with the environment.”

Since 2002, TBL reporting has developed extensively in New Zealand with more businesses (corporates rather than SMEs) reporting and the focus and content of reports having broadened.

As noted, a greater understanding of the wider sustainability context and how that relates to the firm is missing to some degree – although increased awareness of climate change impacts and supply chain issues may have an impact here.

Leading NZ reporters are keeping abreast of international developments through increased use of the GRI guidelines, the implementation of assurance processes and participation in benchmarking and award programmes – all mechanisms for on-going improvement in the quality of reporting.

4.1 Value of Reporting

4.1.1 Overview

The previous section focussed on the state of reporting in NZ and drew some parallels with international trends in reporting. This section focuses more on the value of reporting from the perspective of reporters and of readers, and considers the future direction of reporting in NZ.

4.1.2 Feedback from Practitioners

The Experts / Award Judges

- Reports are important as a tool to present the outcomes companies have achieved; the annual reporting cycle can also act as a driver for action.
- The preparation of 1st and 2nd reports in particular raises many important issues for organisations which their management teams and boards have not previously considered. The challenge is to keep pushing the boundaries. As reports evolve there is a danger that it becomes a tick box process.
- Sustainability reporting and the supporting frameworks e.g. GRI, provide a context and framework for dealing with non-financial performance and emerging issues management.
- The reporting process has driven improvements in terms of energy use, fleet management and procurement and in some cases, has driven the development of measurement systems for energy use, CO₂ inventory, recycling etc. There has been less of an impact on businesses developing proactive products and services related to sustainable development.
- As long as businesses continue to discuss sustainability issues with their stakeholders then reporting is a valuable tool. However stakeholder responsiveness is not yet widely understood and gains limited coverage within reports. Individual community projects are usually included, but this does not cover how a company responds to stakeholder concerns and issues.
- There is still quite a high level of marketing drive behind reports and an eagerness to paint the company in as good a light as possible. The value of transparency is not always accepted by reporters and there is hesitancy by many to report on poor performance or challenges.

Research completed with 5 NZ reporters (Bebbington et al, 2006) found:

“... the conceptions of SD articulated in the interviews were at the “weak” end of the “weak–strong” spectrum (see Bebbington and Thomson (1996) and Gray and Bebbington (2000) for a discussion of these distinctions). Further, all the transcripts were searched for words that would normally be associated with SD discourse. There were no mentions by interviewees of: accountability, social justice, equity (intra- or inter-generational), ecological, ecological footprint or human development. In contrast, stakeholders (21 mentions), efficiency (10 mentions), reputation (7 mentions) and risk (with 16 mentions) were more evident in the language used....

... Almost every company revealed an aspect of its business that was obviously not palatable to the public. ... For these organisations at this stage of their development of SDR, however, there was a hesitation to address these “harder” issues.”

The Reporters

- The average rating (on a scale of 1-10) of the value of reports to reporting organisations was very high – 8.3 with a median of 8 and a range from 4 to 10. Note that 3 people did not or could not rate the value. The three SMEs answered 8, 10 and no response to this question.
- The key themes that became apparent about why reporting was rated high were:
 - Sustainability is part of the organisation’s core values and sustainability reporting is therefore an important process.
 - Identify areas of risk and opportunity.
 - A good communication tool for different stakeholders e.g. employees, and as a marketing tool.
 - Sustainability reporting drives commitments and performance related to environmental and social issues.
- Stakeholder engagement e.g. employees, community, was the most commonly identified benefit followed by driving operational/management improvements and then improving credibility amongst stakeholders. While one organisation was motivated to report in part to remain on the FTSE4Good Index, none of those interviewed saw the report as a tool for gaining confidence with investors, insurers or the financial institutions.
- Some saw the report as a way of ‘walking the talk’, a tool for attracting employees and a demonstration of leadership in their sector.
- The main value for SME interviewees was raising their own levels of awareness of risk and opportunity associated with sustainability.

Interested Stakeholders

Their comments on the value of reporting are summarised below:

- When making decisions information in reports may be taken into consideration but decisions are not based upon information in reports alone. Third party verification is not necessarily perceived as a good measure of robustness as it is all still relatively new. However, the organisation does consider a company that reports (non-financially) more favourably than a company that doesn't.
- Information in reports is not taken at face value but they are a good starting point and helps Greenpeace to understand an organisation's policy. The main value from sustainability reports is to identify the gap between actual performance and a company's values – this may help in holding them to account on a given issue. Reports are also useful to illustrate good examples. In general the credibility of reports was questioned as it is perceived a lot of Green Wash still occurring.
- The Council for Socially Responsible Investment doesn't really use or read NZ non-financial reports very much. They aim to get investing organisations in NZ to take into account the environmental and social practices of businesses through either screening (not investing in a company due to poor environmental or social performance) or engaging (investing and working to change poor practice).
- It is important for companies to produce their reports, however the production of a report doesn't mean a lot about actual performance. The mainstream investing community in NZ is not really using the reports that are available and they are not yet taking into account social and environmental concerns in their investing decisions.
- Reports can focus the attention of society at large on broader issues i.e. non-financial issues – especially help people understand the impact of organisation's performance in environmental and social areas.
- In NZ reporting has very little impact on the investment community if any at all. Here we are lagging behind the rest of the world – there are a lot of elements missing which would need to be addressed before sustainability reporting would have an impact. The public has not locked onto the power they have – through investment – to create change.

4.1.3 A Cautionary Note

While the above shows that reporters and interested stakeholders see value in the implementation and development of sustainability reporting, there are some commentators who would go as far as to purport that such reporting has detrimental effects. See Milne et al (2006):

“In making sense of sustainability, businesses, through the NZBCSD and its members' corporate reports, have produced a limited discourse. The Council is a business council and it emphasises a business case. Such a context, however, necessarily constrains the manner in which business interprets the ecological crisis, and puts meaning to sustainability and sustainable development. Through the rhetoric of practicality, through balancing, journeying, the economic imperative of pursuing win-win opportunities,

and through other more direct appeals to action not words, business through its corporate reports and other communications is able to convey, and perhaps convincingly, it is “doing sustainability.” The idea that (their) businesses might be unsustainable and might better contribute to a sustainable future by reducing the scale of (or ceasing) their activities is not acknowledged.”

4.2 Future Developments

4.2.1 Overview

In the international context future developments in reporting are likely to be driven by the continued focus on the management of non-financial risks, the growth of real-time web-based reporting and the growing demands of the investment and influential stakeholder communities. The G3 implementation and associated development within the ‘reporting community’ is also likely to influence some change in focus of reports.

In the NZ context, reporting is still a voluntary activity and the drivers tend to come from within the organisations rather than without. The following section summaries how our interviewees perceive the future of reporting here.

4.2.2 Feedback from the Practitioners

The Experts / Award Judges

- Reporters still need to put more focus on the ‘so what’ question – what’s relevant and how it’s relevant; award programmes will continue to encourage best practice reporting and innovation.
- We are likely to see non-financial reporting being integrated into the Annual Report; some move away from the printed page with more sophisticated web-based reporting.
- Will still see growth in numbers of reporters – in line with NZBCSD member growth, through it may be hard to measure actual volume of reports due to various models of reporting. Will continue to be the corporates who report formally with SMEs providing information in catalogues / promotional materials etc and getting involved in action-based initiatives with others.
- Questions were raised on whether organisations see enough value to keep reporting – will some drop off or will they take an innovative leap?
- Non-financial reporting will naturally occur as companies need to deal with the emerging issues in the world around them – and as their stakeholders want to know how they are responding. Initially SD reporting represented a new wave – now moving into another phase.

The Reporters

- Ten interviewees said they would continue to report in the foreseeable future, while three did not know and one said no.
- The key themes for how they saw their reports developing in the future were:
 - Developing based on stakeholder needs
 - Improving in substance and disclosure
 - A more concise/compact report
 - Design or format will improve e.g. more use of digital media

Interested Stakeholders

- Would like to see more and better reporting particularly around environmental issues.
- Hope that the investment community in NZ raise their awareness of and demand for non-financial performance reporting.
- Some sort of catalyst for change is necessary to improve things. Two things may occur:
 - Best possible scenario is that NZ subsidiaries of multinational companies play a leading role in sustainability reporting in NZ.
 - At some point a NZ organisation may attract attention from an overseas investor – pressure may then be provided by the overseas investors at the organisation's AGM.
- An influencing factor may also be the movement on public perception of climate change which has occurred in 2006 – which may lead to higher demand for reporting on sustainability issues.

4.3 In Summary

Those currently involved in TBL reporting in New Zealand categorise the value of reporting in terms of stakeholder relationships, tangible demonstration of business vision and values, driving improvements in environmental and social performance and identifying risks and opportunities. In contrast to international experience, report development in NZ is driven by companies themselves rather than by external forces such as government agencies, investors or demanding stakeholder groups. Some stakeholder groups are however aware of TBL reports and use them selectively. Those involved in the edges of the investment community are encouraging a broader focus by investors and see this as a necessary driver for increased reporting on TBL impacts.

Many of the challenges experienced internationally (materiality, transparency and managing the size of reports) are also relevant here and will warrant further investigation in looking to the future. Stakeholder

responsiveness is also identified as an area for future development in terms of involving stakeholders in issues identification and hence report content.

In terms of future developments those involved in reporting in NZ see a growth in both the number and the focus of reports. To ensure that the process of reporting maintains and strengthens in value and doesn't just become a tick-box or an award-seeking activity, NZ reporters and their advisors need to consider how they will meet the challenges of best practice in reporting and actively use the reporting process to improve their TBL performance.

The landscape of sustainability reporting has changed since 2002 both internationally and in NZ and there is value associated with such reporting by reporters and readers alike, with the main areas identified being stakeholder engagement (employees, customers, government owners) and driving improved organisational management of non-financial issues.

There are certainly recognised challenges in reporting related to key principles of balance, materiality and transparency and these will be areas to watch in the future.

Internationally the drivers for reporting are stronger than in NZ with demands from stakeholders groups for information and transparency and a growing awareness within the investment community of non-financial risk and opportunity management.

Here in NZ the activity has been largely a voluntary one, driven most strongly through the work of the NZBCSD and its members. If increased interest was shown in NZ by external stakeholders (government agencies, environmental advocates, social agencies, employee organisations, consumer groups) and in particular investors – rewarding the practice of reporting, identifying areas for improvement, demanding information on material issues, promoting best practice and demanding increased reporting – then reporters and non-reporters would see increased value in reporting and in developing reports which are responsive to those stakeholders and which go to the heart of sustainability.

While there are recognised limitations and challenges in reporting and best practice will continue to evolve it appears that sustainability reporting does have future for some years to come. If we want to keep the level and quality of reporting high in NZ then reporters must strive for best practice and keep pace with reporting developments. Initiatives like the Global Reporters Study, NZICA and ACCA Awards programmes and the Corporate Responsibility Index encourage leading practice in sustainability reporting and fuller participation in such benchmarking opportunities by NZ reporters would drive a stronger focus on continuous improvement and innovation.

On a final note, it is important to recognise the limits of entity-based reporting in addressing the full extent of issues related to sustainable development at a national and indeed global level. Businesses must not be fooled that they are ‘doing sustainability’ purely through the process of reporting. TBL reporting does not stand on its own, but is at its best is a valuable tool available to businesses to engage in what sustainability means for them and the world they operate in.

URS New Zealand (URS) prepared this research paper for the use of the Parliamentary Commissioner for the Environment in accordance with the usual care and thoroughness of the consulting profession. It is based on generally accepted practices and standards at the time it was prepared. No other warranty, expressed or implied, is made as to the professional advice included in this report. It is prepared in accordance with the scope of work and for the purpose outlined in the Proposal dated 16 June 2006.

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

This paper was prepared between July and September 2006 and is based on the information gathered and reviewed at the time of preparation.

This paper should be read in full. No responsibility is accepted for use of any part of this paper in any other context or for any other purpose or by third parties.

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Sustainability Series 3.0, September 2006. Auckland New Zealand (John Elkington, Keynote Speaker)

Interviewees

Experts / Judges

Interviewee	Affiliation	Position / Title
Lyn Mayes	New Zealand Business Council for Sustainable Development	SDR Workshop Programme Facilitator; ACCA Awards Judging Panel
Ian Whitehouse	New Zealand Business Council for Sustainable Development	SDR Workshop Programme Facilitator; ICANZ Awards Judging Panel
Rachel Brown	SBN	CEO
Peter Casey	NZICA	Convenor of Judging Panel on Sustainability Reporting
Wendy McGuinness	NZICA www.sustainablefutures.com	ICANZ Councillor; NZICA Awards Judging Panel; Web-host of www.sustainablefutures.com
Arti Prasad	Ministry for the Environment	Advisor, Sustainable Industry and Climate Change
Kathryn Maxwell	Ministry for the Environment	Project Manager, Govt ³

Reporters

Interviewee	Company Name	Position / Title
Dr Margaret Lawton	Landcare Research, Manaaki Whenua	Operations Manager
Tom Newitt	Vodafone NZ Ltd	Corporate Responsibility Manager
Will Teale	Waste Management NZ Ltd	Environmental Specialist
Adele Fitzpatrick	Meridian Energy	Communications
Rachel Bergquist	Hubbard Foods	Product Development Manager

Interviewees

Interviewee	Company Name	Position / Title
Trevor Johnstone	The Warehouse Group Ltd	Sustainable Development Manager
Myles Lind	Watercare Services Ltd	2006 Annual Report Project Manager
Daryn Jemmett	Accident Compensation Corporation	ACC Health, Safety and Sustainability Manager
Mark Drury	URS New Zealand Ltd	Chief Executive
Steve Bonnici	Urgent Couriers Ltd	Managing Director
Meredith Osmond	Tall Poppies	Director
Kirsty Verrill	Sanford Limited	Environmental Systems Coordinator
Anthea Ogilvie	IAG Limited	Sustainability Consultant
Tim Hammond	Metrowater	Company Secretary

Interested stakeholders (including NGOs, investors and the media)

Interviewees	Organisation / Affiliation
Melanie Hutton	WWF
Cindy Baxter	Greenpeace
Rod Oram	Business Journalist
Dr Robert Howell	Council for Socially Responsible Investment

Survey of Reporters

Aggregated Feedback

The following is the aggregated feedback from the interviews with reporters and stakeholders, carried out during September 2006.

Question One – How many years have you been reporting?

Forty three percent of organisations interviewed had produced 2 – 5 reports that they considered to be sustainability reports. Thirty six percent (all large organisations) had produce more than 5 sustainability reports while all of the SME's interviewed had only reported once or twice.

Question Two a - What media do you publish with? (Currently except for one-offs)

All except one interviewee (an SME) provided an online report. All of these were a pdf that could be downloaded of the entire document with the exception of one large organisation which produced downloadable pdfs of separate sections.

All interviewees produced a hard copy of their sustainability report. One large organisation also produces a CD which they gain value from while another stated they had produced a CD one year but had found it “a waste of time.” One SME reporter noted that their report had been in the format of a poster. Another SME reporter had summarised their report in the NZ Herald and intended to print their next one on materials that went out with their product.

Question Two b – What format does your report take? (currently except for one-offs)

Fifty percent of interviewees produce a separate sustainability report with the other half producing a combined report. Two large organisations included a summary of their sustainability report in their Annual Report as well.

Question Three – Who is your target audience – top three audiences in order

The below table illustrates the top three audiences for the interviewees:

Audience	Ranking*		
	1	2	3
Shareholders	5	1	0
Customers	4	4	1
Employees	5	0	1
Local community	0	0	3
Suppliers	2	0	0
Investors	2	0	0
Other - Sustainable business community	1	1	0
Other - General business community/industry	1	0	1
Other - Government stakeholders/Ministers/Local government	2	4	1
Other - Banks	0	1	1
Other - Media/NGOs	0	2	0
Other - Board of Directors	0	1	0

*Note that some people ranked groups as first equal - these were all counted as a 1. Hence the total is more than 14

Survey of Reporters

Aggregated Feedback

As can be seen in the table above the target audience that was most frequently identified as the top audience were “shareholders” and “Employees” equally followed by “Customers”. The target audience that was most frequently identified as the second priority audience were “Customers” and “Other – Government stakeholders/ministers/local government”. The latter may be likely given the number of organisations interviewed who have some accountability to the government as a state owned enterprise or similar.

Note that the SMEs interviewed named only customers, employees and suppliers as their audiences.

Question Four – On a scale of 1-10 (where 1 is no value and 100 is extremely valuable) how valuable is reporting to your company/organisation?

The average rating of the value of reports to reporting organisations was very high - 8.3 with a median of 8 and a range from 4 to 10. Note that 3 people did not or could not respond to this question. One non-respondent noted that they hadn't tried to measure the value and another that it is too hard to name a rating for the value of reporting to their organisation.

The three SMEs answered 8, 10 and no response to this question.

Question Five – Why did you answer ____ to Q4?

The key themes that became apparent about why reporting was rated 7 or above were:

- Sustainability is part of the organisation's core values and sustainability reporting is therefore an important process.
- Identify areas of risk and opportunity.
- A good communication tool for different stakeholders e.g. for employees and as a marketing tool.
- Sustainability reporting drives commitments and performance.

The key themes that became apparent about why the value of reporting was rated 6 or below were:

- Sustainability is a core part of the organisation and reporting does not add any further value to performance.

The key issue for SME interviewees identified the value of raising their own levels of awareness of risk and opportunity.

Below are the transcribed responses from all interviewees along with the rating they gave the value of sustainability reporting to their organisation:

10 - Producing a sustainability reporting in 2001 was too early to gain client interest. The main value was through awareness and clarification of what was important to X and identifying where to make an impact.

10 - Wouldn't do it if it wasn't extremely valuable – X consider sustainable business as a core part of their business.

Survey of Reporters

Aggregated Feedback

10 - Part of what we do – we are all about sustainable development. Our business is related to helping organisations with their own reporting. Try and improve, lead the way and it is helpful to internal management.

10 - As a good piece of communication – it is used as a standard reference for enquiries/disclosure. The content - use of the GRI framework is a good mirror to reflect on performance.

8 - Makes you reflect on what you are doing and it helps drive performance through a public commitment.

8 - It helped to focus X on risks to the business e.g. contractor turnover. Made us measure elements of our business that we wouldn't normally e.g. turnover in contractors (these measures were subsequently continued beyond reporting).

8 - We have a lot of initiatives in place and if we measure/report on it then this helps acknowledge success. It is a good message to people at a key level. Most employees want to feel good about our performance and this is a good way to communicate this. It also adds to our reputability with clients – who are impressed that we are not afraid to report on performance.

7 - The report is an important communications tool for getting the message out to stakeholders - especially the first report. The report has also driven commitments and improvements to internal systems more than expected.

7 – Traditionally, X put a lot of resources into sustainability reporting. It is a flagship publication from the company - a key document. Feedback has not been huge but is always positive e.g. a small company X was looking to buy were impressed by the report and more open to being purchased by X.

5 - Not sure that we can demonstrate a value from the report - already did internal reporting without it. In the absence of no specific measures of the value of the report the answer was conservatively estimated at 5.

4 - Sustainability is part of X's core values. The reporting process does not add much value to that - focusing on the action is more important. The GRI is more used a framework against which to report rather than a driver for action.

Can't put a value on it - too hard. Reporting is perceived as an opportunity to tell the wider story and put a human face on X - through sharing of staff stories on cd etc - it is mainly a good communication tool.

Can't assign a value - there is value for employees. Smaller companies [X' external stakeholders] questioned the relevance of it. Trying to change - after attending a procurement conference suppliers asked for the report as a result.

Survey of Reporters Aggregated Feedback

Question Five b – What would it take to achieve a score of 10?

The most commonly cited driver for a ranking of 10 for the value of sustainability reporting to an organisation was more feedback (especially more positive feedback) from stakeholders. Six people answered this question.

Below are the transcribed responses from all interviewees along with the rating they gave the value of sustainability reporting to their organisation:

7 - No report no matter how great can replace action - in the end it is just reporting on results not results themselves.

4 - If it was point of differentiation - but as X is a monopoly there is none need. Some advantage is gained from leadership in the industry.

5 - Positive feedback from stakeholders

7 - Continued demand for copies nationally and internationally.

8 - More feedback on the report

No score - Obtaining positive feedback from levee payers stating that this is valuable and Buy-in from public.

Question Six – What do you think are the key benefits to your organisation from reporting?

The below table illustrates the benefits identified by interviewees from sustainability reporting:

Benefit	No. of identifying benefit	Comments
Benchmarking performance	2	
Drive operational/management improvements	6	Setting targets was helpful and obtaining some good measurements.
Improved credibility amongst stakeholders	5	Reporting periodically useful to provide independent verification of your actions.
Stakeholder engagement	8	Making connections with the wider community. Educating on core service and creating links between social and environmental outcomes and core service. Reporting to employees – to feel that collectively we are doing some good.
Improved risk management	1	
Satisfying a mandatory or signatory reporting requirement	1	Requirement to stay on FTSE Index
Gain confidence of investors, insurers and financial institutions	0	
Reputational management	1	

Survey of Reporters Aggregated Feedback

Benefit	No. of identifying benefit	Comments
Other - Leadership	2	Legislation and direction from cabinet pressures X to lead the way. Practice what we preach.
Other - communications/marketing tool	4	To attract new employees, to communicate sustainability to current employees To communicate how sustainability and how it works within X
Other - GRI framework - a good mirror	1	It highlights areas where actual performance differs from values (it is a good mirror).
Other - Offshore recognition	1	GRI guidelines acknowledgement

As the above table illustrates stakeholder engagement e.g. employees, community was the most commonly identified benefit followed by driving operational/management improvements and then improving credibility amongst stakeholders.

Two SMEs cited driving operational management improvements, communicating with stakeholders, improved risk management and offshore recognition as their benefits.

Question Seven – On a scale of 1-10 (1 not at all to 10 substantially) how much has your reporting content changed in the time you have been reporting?

The average rating of the amount that reports had changed in the time was 6.5 with a median of 5 and a range from 1 to 10. This implies that the majority of reports had changed somewhat – however, it is likely that this was overrated as suggested by the answers to Q7 where many people noted formatting changes rather than content changes. Note that 1 person did not or could not respond to this question. One non-respondent noted that they hadn't tried to measure the value and another that it is too hard to name a rating for the value of reporting to their organisation.

Question Eight – How has your report changed?

The key changes noted by interviewees were:

- Started out with a more environmental focus and now is much wider
- The contents of the reports have become more substantive with more attention paid to including material issues
- Use of GRI guidelines has occurred
- Assurance against the AA1000 has been undertaken
- The report has improved
- Format of the report has changed
- In response to stakeholder feedback

Survey of Reporters

Aggregated Feedback

- 10 - First was published in Herald, 2nd will include cereal packets. The content will be more substantial with more numbers and targets more stories and greater balance
- 10 - Started out as environmental report in print - now has wider picture i.e. sustainability report. Use of technology has changed - with addition of cd and online publishing.
- 10 - The report has gotten better and better. Non-financial indicators have been focused on and improved i.e. performance measures have become more targeted.
- 9 - Content has become more substantive and more closely aligned to GRI framework with more disclosure.
- 9 - Plan to report again in 06/07 - according to sector supplement GRI guidelines (transport and logistics)
- 9 - As a result of stakeholder feedback (employees, ACCA awards and other external stakeholders). This has made the 2nd report more focused on targets and material issues than the first report.
- 8 - Have had it AA1000 assured. Content was previously much lighter. Content has improved and become much stronger as process has improved. Topically it has changed through adopting AA1000 principles and ensuring material issues have been covered.
- 5 - Initially didn't use GRI. Started out prior to 03 with some environment reporting in Annual Reports. The report hasn't changed for the past 2-3 years however.
- 5 - Annual report has always included social and environmental information as this is the nature of ACC's business. Modified the way they convey information - previously couldn't have answered GRI questions.
- 5- Improved integrity of reporting - aligned more closely with GRIs. Improved data capture - more sophisticated and robust.
- 5 - Improved a lot in terms of KPI, inclusiveness and targets (more accurate). Added case studies / feature stories.
- 2 - Hasn't really apart from minor content changes - addition of GRI table in 2005 report.
- 1 - Was less informative previously. Have been involved with ICANZ and other companies and tried to pick up on feedback from reporting.

Survey of Reporters

Aggregated Feedback

Question Nine – What challenges have you faced in producing sustainability reports?

The below table illustrates the challenges identified by interviewees from sustainability reporting:

Challenges	No of respondents	Comments
Unsure of content	4	<p>Knowing where to focus, detail can be too much. Need to decide what is meaningful. Understanding what is required in a sustainability report.</p> <p>SME - Measurement and relevance of KPIs over time. Working out what to divulge was difficult i.e. how much financial data was appropriate to disclose as a private company.</p> <p>Keeping it succinct and relevant and keeping a balance of positive/negatives.</p> <p>Remaining transparent while promoting selves. Keeping it fresh, keeping it comparable with previous reports (data etc)</p>
Cost and resource constraints	3	SME - time to do it as a small organisations
Costs and difficulty of verification	3	<p>Internal resource commitment and expense of verification.</p> <p>Verification adds an extra layer of difficulty.</p>
Support from management	2	Resistance from those who didn't see the value in it. Support from new management in future
Data collection	4	Develop standard method for measuring data. Coordinating data.
Other - Timeframes	1	Timeframes for producing reports are tight
Other - GRI framework	1	Not applicable to NZ companies.

The above table illustrates uncertainty around content - particularly around deciding what to include and what not to include and keeping a balance – is the biggest challenge for interviewees along with having robust systems for the collection of data.

The SMEs interviewed were particularly challenged by time and cost constraints.

Question 10 – Will you continue to report in the foreseeable future/

Ten interviewees said they would continue to report in the foreseeable future, while three did not know and 1 said no.

Question 11 – If yes (to 10) how do you see your report developing in the future?

The key themes that became apparent for interviewees for how they saw their reports developing in the future were:

Survey of Reporters Aggregated Feedback

- Developing based on stakeholder needs
- Improving in substance and disclosure
- A more concise/compact report
- Design or format will improve e.g. more use of digital media

The key themes that were apparent for those who were unsure about whether they would continue were:

- One company cited lack of support from management (due to new CEO)
- New ownership of company
- No value perceived for organisation as they are already committed to sustainability, and their clients are not very interested

Yes comments

Intend to report every 2-3 years.

Plan to report in 06/07. Previously left some things out because they didn't seem pertinent however stakeholder feedback suggests that for completeness these should be added in future reports. May report bi/tri annually with a report card on alternate years - don't see the point in producing a report few people read (he acknowledge this based on his own experience of not really reading reports that came across his desk from other people).

Web site only or a concise summary report printed. A framework will be adopted to streamline reporting and reduce time involved. Would like to benchmark against others when industry in the future when/if possible.

This year the report will be similar to last year but next year improvements will be made to the content in terms of details and layout of GRI table. In the future should resources be better spent on actions then this would be a preferred use of resources rather than using resources for reporting.

Need to think about this but it will change in the future - to do the same again next year would be missing an opportunity. We need to think about how this can continue to be meaningful and useful.

Continue to grow in substance i.e. level of disclosure and alignment with GRI. Become more substantive.

Would like to use more digital media - get away from a hard copy altogether though this would be difficult with the annual report elements in it.

Like to see it become more compact in the future - more accessible and find new ways of presenting non-financial measures that are meaningful and interesting. Major changes last year compared to this year.

Developing and changing around stakeholder needs – this is an external communications document.

Design will be shaken up a bit. More web-based and more user friendly on-line links. More on stakeholders.

No/Don't know comments

Survey of Reporters

Aggregated Feedback

Merged with X and as its not a publicly listed company don't have to report. Won't report in short term but once X have matured as a company the hope it is hoped they will report again - reporting of whole of X is more likely.

There is no value for X to continue sustainability reporting - they have sustainability commitments in place i.e. a three pronged approach sustainable business, sustainable communities and sustainable clients. Little marketing value was obtained from it originally - this may have been because it was too early on in the piece for sustainability reporting to take off.

Integrated with the Annual Report – showing that it becomes part of your whole business. However, X may be forced to do this in the future by legislation e.g. Waste Bill would require organisations to report. Drivers such as Govt³. Part of business excellence model. Indices like Reputex will assess your performance with or without help – so best to have info in the public arena.

Organisation undergone some changes now and the focus of the report may change substantially. The CEO is not yet convinced.

Interview Responses Various Stakeholder Groups

NON-GOVERNMENTAL ORGANISATIONS

Question One - What do you know about sustainability reporting?

WWF

A lot. Interviewee has a high level of awareness of sustainability reporting but was unaware of AA1000 assurance standard.

Greenpeace

On a scale of a 1 to 10 (1 never heard of them to 10 very aware) the interviewee considers herself a 9.

Question Two – How much do you use them? Read them?

WWF

Not many NZ companies are producing sustainability reporting – it is mostly overseas organisations and largely multinationals have the highest quality reports. The interviewee was surprised that not more companies produce reports as they are perceived to be a very good thing to produce.

Greenpeace

Greenpeace campaigns on specific issues and does not enter into relationships with corporates. The interviewee does read sustainability reports if the company is related to a particular issue e.g. Mighty River Power and energy issues.

Question Three – Do you make decisions based upon reports?

WWF

WWF has relationships with corporate organisations and reports are largely useful to WWF when making decisions related to relationships with these organisations. When making decisions information in reports may be taken into consideration but decisions are not based upon information in reports alone – report information is part of many other elements. The robustness of reports is sometimes questionable. Third party verification is not necessarily perceived as a good measure of robustness as it is all still relatively new. The interviewee supported the use of international standards for verification of reports. However, WWF absolutely does consider a company that reports (non-financially) more favourably than a company that doesn't.

Greenpeace

The interviewee would not take reports at face value but would have a conversation with the organisation rather than rely on information in report. However, the report is a good starting point and helps Greenpeace to understand an organisation's policy. The main value perceived to the Interviewee from sustainability reports is to identify the gap between actual performance and a company's values- this may

Interview Responses

Various Stakeholder Groups

help in holding them to account on a given issue. They are also useful to illustrate good examples when companies do live up to what they say they will do

In general the credibility of reports was questioned by the Interviewee who perceived a lot of Green Wash still occurring.

Question Four – Have you ever been asked to give feedback on a company’s report?

WWF

WWF have been asked for feedback on a completed report to assist with future report development. In general the interviewee did not really feel it was the responsibility of NGOs to provide feedback/verify reports – an ISO standard or similar would be better.

Greenpeace

No. Would take a lot of research to provide feedback on reports though which is difficult for an NGO to undertake in general.

Question Five - Has your use or awareness changed substantially over the past 5 years?

WWF

The interviewee personally feels it’s a burgeoning area which is relatively new in New Zealand. In general it is a first stepping point for climate change related performance – i.e. identify emissions and working from there.

Greenpeace

NA only been in country a couple of years.

Interview Responses Various Stakeholder Groups

BUSINESS / INVESTMENT REPRESENTATIVES

Council for Socially Responsible Investment New Zealand

Question One – Are you aware of non-financial reporting?

Very aware of non-financial reporting.

Question Two – How much do you use them? Read them?

The CSRI doesn't really use or read New Zealand non-financial reports very much currently. Also see answer to 4.

Question Three – What has been your involvement with sustainability reporting over the last 4 years?

NA

Question Four- What is the main value to investors from sustainability reports?

The SRI aims to get investing organisation in New Zealand to take into account the environmental and social practices of organisations through either screening (not investing in a company due to poor environmental or social performance) or engaging (investing and working to change poor practice) with organisations. Overseas investing institutions are very active in screening or engaging with organisations e.g. Hermes – screen out nothing but engage with those they invest in. However in New Zealand this is not really happening – especially government investing institutions who should be leading the way – government institutions currently all invest in Mobil Exxon and tobacco companies.

The CSRI has found that by and large investing institutions are not aware of issues and how they can work with companies to change poor practices. Hence institutions are not using sustainability reports. This is despite the fact that research has shown that only 1.3% of New Zealanders invests solely for financial return. The average New Zealander is concerned with environmental and social performance but they are not really reading the sustainability reports nor are investing institutions taking this concern into account.

The interviewee felt that it was important for companies to produce their reports, however that just because a company produces a report it doesn't mean a lot about actual performance. The mainstream investing community in New Zealand is not really using the reports that are available and they are not yet taking into account social and environmental concerns in their investing decisions.

Interview Responses Various Stakeholder Groups

Business Journalist

Question One – What do you see as the value of sustainability reporting to New Zealand society?

Focusing attention of society at large on broader issues i.e. non-financial issues - especially to help people understand the impact of organisation's performance in environmental and social areas.

Question Two – Do you think sustainability reporting has an impact in investors' or other stakeholders' decisions?

In New Zealand very little impact if any at all. Here we are lagging behind the rest of the world – there are a lot of elements missing which would need to be addressed before sustainability reporting would have an impact. For example there is no active investor base demanding sustainability reporting as there is overseas. There is also a lack of infrastructure (i.e. advisors) to assist organisations in the development of sustainability reporting. The public has not locked onto the power they have – through investment – to create change.

Hence sustainability reporting gets little attention.

Question Three – Do you think that sustainability reports disclosure accurately reflects the organisation's performance/issues/challenges?

There are a few good examples but in general not many reports could be called best practice here compared to overseas.

Question Four – What sort of changes have you noticed over time (since the late 90's)

Progressively more development of and awareness of sustainability reporting.

Question Five – What do you see the future direction of sustainability reporting in New Zealand to be?

Some sort of catalyst for change is necessary to improve things. Two things may occur:

1. Best possible scenario is that NZ subsidiaries of multinational companies play a leading role in sustainability reporting in NZ.
2. At some point a NZ organisation may attract attention from an overseas investor – pressure may then be provided by the overseas investors at the organisation's AGM.

An influencing factor may also be the movement on public perception of climate change which has occurred in 2006 which will create greater emphasis on green house gas emissions – which may lead to broader reporting on sustainability issues.

The interviewee would like to see more and better reporting particularly around environmental issues. Not many NZ companies use offshore suppliers etc so social elements of sustainability reporting are not as important. Environmental issues are and it would be good to see some more emphasis on environmental issues.

Interview Responses Various Stakeholder Groups

SUSTAINABILITY REPORTING EXPERTS / REPORT JUDGES

What is your understanding of the extent of Sustainability Reporting in New Zealand by businesses? Do you have any source data to support that?

Each year about 5-7 companies have participated in the SDR workshop (70% NZBCSD members, 30% non-members); Masterclass also held for mature reporters.

Number of businesses that are members of the NZBCSD is a good signal to the number of reporters in New Zealand.

Also need to signal the shift in mainstream corporate annual reports – where the extent of the management commentary has changed / developed to incorporate non-financial information e.g. health & safety, good employer, increased governance information.

What we are not seeing:

- Identifying the issues which are challenging business and addressing these.
- What are the key things that matter to the on-going success of the business?

OFR / ACCA Guidance to Reporters:

- Management commentary is becoming a more important part of the report.
- Increased prescription in what needs to be covered.

Still issues around materiality: organisations are focussing on what they are comfortable with; not necessarily the most important issues.

New Zealand: hasn't reported on stakeholder engagement to the same extent that we see overseas e.g. Nova Nordisk, Nike, Shell. This was the case in 2002 and hasn't changed significantly.

Tends to be sector based and also related to parent company influence:

NAB; Westpac. Often incorporated into corporate report and using the same processes and indicators. Most obvious in the financial sector.

Key Sectors: Resources (Energy; Waste); Banking Sector (more obvious and more of them); Retailers (limited to The Warehouse); aspects of sustainability practice e.g Phoenix Organics but not a strong focus on reporting.

FMCG (Fast Moving Consumer Goods) sector lacking in reporting. More SD activity but not necessarily reporting e.g. Packaging Accord; Waste Programmes; Product Stewardship; CO₂ inventories. Activity-based work; doesn't necessarily led to reporting.

Interview Responses

Various Stakeholder Groups

<p>Supply Chain issues more on the radar than in 2005/6 e.g. The Warehouse.</p> <p>Less traction than expected in the energy efficiency space (it's there but not as aggressive as it could be).</p> <p>SME adoption: doesn't make sense for SMEs to report in a formal GRI report. A number of companies are required to do this stuff for their parents – tend to be reporting on specific indicators rather than a full report/.</p> <p>Primary Focus of reports tends to be on environmental issues. Less on social / product implication and true economics. In the main the financials tend to be presented as the economic aspect of reporting.</p>
<p>SBN Angle: useful process but report in itself not that useful for SMEs.</p> <p>Drivers for reporting: Either issues related e.g. BAT, or wanting to align as values / ethics led. Often driven by Australia or other parent e.g. IAG, Vodafone; Comalco.</p> <p>SBN doesn't collect reporting info on members.</p> <p>130 in Get Sustainable Challenge 2006; about 2% are reporting (tend to be big companies)</p> <p>Small companies tend to report on their env/social actions through promotional materials / websites / pamphlets.</p>
<p>Perceived as being quite good.</p>
<p>Not as much uptake as expected of sustainability reports but also need to look at developments in management commentary for Annual Reports which have more depth and breadth than 5 years ago.</p> <p>There are some fundamental shifts in external factors which are forcing companies to consider non-financial risk management more seriously.</p> <p>e.g. oil prices, climate change, security risks, developing societal values.</p>
<p>On a scale of 1-10 (where 1 is very weak and 10 is very strong) how would you rate the State of Sustainability Reporting in New Zealand?</p> <p>Average: 4.75; Range: 2.5 to 6</p>
<p>What are the strengths?</p> <p>New Zealand ahead of Australia in terms of quality – ACCA judging process. In terms of quantity New Zealand is behind. cf Japan, Australia, France.</p> <p>Report is a mark in time; does provide momentum; annual seems too often?</p>

Interview Responses

Various Stakeholder Groups

<p>Not mandatory</p> <p>There have been some New Zealand reporters who have rated amongst the top reporters internationally. Landcare and Watercare in Global Reporters study in 2004.</p>	
<p>What are the weaknesses?</p> <p>Real issues often not reported (can't get past PR machine); understandable as this is a real concern.</p> <p>So much effort goes into reporting / many should go into improvement / reporting resource intensive – prevents resource for action elsewhere?</p> <p>The identified value and need for it is mainly restricted to those entities who can see a very direct benefit ie resource companies, utility companies.</p>	
<p>How has reporting changed in the last 5 years?</p>	
<p>TBL focus – created a silo history which has had an impact. On-going reporters have matured to a focus on the big topics, issues markets.</p> <p>Development of web-based reporting overseas but not New Zealand (started to emerge e.g. Meridian CD)</p> <p>Have got good at some aspects e.g. benchmarking; rulers etc.</p> <p>New Zealand companies in the FTSE4GOOD, DJSI</p> <p>More verification happening (NZBCSD influence); not taken seriously unless they are verified.</p> <p>Increase in stakeholder engagement; involvement in reporting e.g. IAG; Vodafone.</p> <p>Electronic medium: e.g. CD at Meridian.</p> <p>Supply chain focus / supply chain management focus is increasing.</p> <p>Level of interest has grown – people want to know what is comparable.</p>	
<p>Use of GRI</p>	<p>This has been the most helpful tool to assist improvement.</p> <p>Usually checkbox; list.</p> <p>May shift with the G# release – more focus on principles and management systems and processes.</p> <p>Companies in NZ are more practical and pragmatic in their use of the GRI.</p>

Interview Responses Various Stakeholder Groups

	<p>Sector supplements have been useful.</p> <p>GRI provides a useful framework for report development.</p>
Verification & Assurance	<p>More assurance; has increased; has developed in rigour.</p> <p>Improving slowly.</p>
What difference has sustainability reporting made to the contribution of business to sustainable development?	
<p>Report important as a tool to present the outcomes companies have achieved; can act as a driver.</p> <p>Preparation of 1st and 2nd reports have raised the issues for organisations (process itself raises issues and risks) e.g. The Warehouse – Asian manufacturers;</p> <p>Provides a context and framework for dealing with non-financial and emerging issues management.</p> <p>Has driven improvements in terms of energy use, fleet management, procurement. Helped drive to get systems in place e.g. energy use, CO₂ inventory, recycling etc.</p> <p>Less of an impact on proactive services related to SD</p> <p>Have got good at some aspects e.g. benchmarks etc.</p> <p>Depends on how the organisation is using it;</p> <p>Benefits – drives the improvement process.</p> <p>As long as continuing to discuss with their stakeholders then reporting is valuable tool.</p> <p>In some cases seems to be a tick box thing.</p>	
What are the challenges faced by businesses related to sustainability reporting?	
<p>Relevance; conciseness; writing for the right audience</p> <p>Being able to easily present the business model; and then meshing that with where sustainability fits (materiality / relevance)</p> <p>Continual strong CEO / Snr Manager support – what happens when change occurs within the organisation; organisations are not doing succession for sustainability (often 1-2 people in the org). Needs to become like H&S.</p> <p>Moving it to the next stage e.g. have we changed our products and services;</p>	

Interview Responses

Various Stakeholder Groups

Setting future targets which matter.

Do we see anything on fund investment (crossing into the financials)

Once the first report has happened what then?

Infrastructural challenges that slow things down e.g. purchasing policies or govt. regs – can hinder progress.

Governance and fear of stepping out too far;

Risk tolerance and market acceptance – real advances require bravery and understanding.

Having helpful tools and business understanding the relevance and benefit to their bottom line.

Change in champions / senior management support – can have impact on reporting level and value to a company. Often not well integrated.

Comparability an issue – across organisations.

Where do you see the future of sustainability reporting for New Zealand Businesses?

Need to put more focus on the ‘so what’ question. Reporting what’s relevant and how it’s relevant.

Moving towards becoming part of the Annual Report; some move away from the printed page – GRI; web. Growth in reporting but perhaps not the physical document; less paper.

Will still see more growth in numbers of reporters; hard to measure actual volume of reports as there are various models.

Not sure; innovative leap not happening. Will organisations see enough value to keep reporting. Process being re-evaluated in some organisations - will some drop off?

On going organic evolutionary growth.

Non-financial reporting will naturally occur as companies need to deal with the emerging issues in the world around them – and as their stakeholders want to know how they are responding. . Initially SD reporting represented a new wave – now moving into another phase.

SMEs: more of them doing stuff and providing info in catalogues / promotional materials etc. may need to measure and report on indicators for their clients (local and international).

Sustainability Reporting Award Winners

2006

ACCA Sustainability Awards, 2006	<ul style="list-style-type: none"> • Best Sustainability Report <ul style="list-style-type: none"> ➤ mecu Ltd (Australia) • Continued High Quality Sustainability Reporting <ul style="list-style-type: none"> ➤ Watercare (New Zealand) • Continued High-Quality SME Sustainability Reporting <ul style="list-style-type: none"> ➤ Australian Ethical Investment (Australia) • Sustainability Communication using the Internet <ul style="list-style-type: none"> ➤ BHP Billiton (Global) • Commendation for Achievement in Sustainability Reporting <ul style="list-style-type: none"> ➤ Vodafone New Zealand ➤ IAG New Zealand ➤ URS New Zealand
Australasian Reporting Awards, 2006	<ul style="list-style-type: none"> • Corporate Governance (public sector) <ul style="list-style-type: none"> ➤ Aboriginal Hostels Ltd (Australia) • Corporate Governance (private sector) <ul style="list-style-type: none"> ➤ Westpac Banking Corp (Australia) • Continuous Disclosure <ul style="list-style-type: none"> ➤ Westpac Banking Corp (Australia) • Sustainability Reporting <ul style="list-style-type: none"> ➤ Landcare Research (New Zealand) • Occupational Health and Safety <ul style="list-style-type: none"> ➤ BHP Billiton (Australia) ➤ Wesfarmers Limited (Australia)
New Zealand Institute of Chartered Accountants	<ul style="list-style-type: none"> • Best Sustainability Reporting by a Crown or Local Authority Organisation <ul style="list-style-type: none"> ➤ Watercare Services <p>Judging panel commendations were for:</p> <ul style="list-style-type: none"> • Best Sustainability Reporting by a Crown or Local Authority Organisation – Metrowater • Best Sustainability Reporting by a Service Organisation – Youth Hostel Association of New Zealand • Best Sustainability Reporting by a Corporate – Sanford

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