Integrating sustainability into business practices: a case study approach
Kiewa is focused on the design and implementation of sustainable business solutions. Kiewa works with public and private organisations to embed sustainable business practices, decision-making and effective stakeholder reporting. Kiewa supports clients throughout their sustainable change journey, ensuring the benefits of embedding sustainable business practices are fully realised.

In addition, Kiewa supports organisations in simplifying and structuring their internal and external reporting and communications towards integrated reporting to better meet the needs of key stakeholders.

Kiewa’s founder, Nick Ridehalgh, was responsible for PwC’s corporate reporting and communications program for over 10 years, and co-founded the Sustainability & Climate Change team in 2006. Nick is an FCA in Australia and England & Wales, a graduate of the AICD, and a registered company and greenhouse gas auditor. He is on the Institute of Chartered Accountants’ Broad Based Business Reporting Panel, project leader for the Business Reporting Leaders Forum (BRLF) in Australia and a member of the working group for the International Integrated Reporting Committee (IIRC).

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The Institute of Chartered Accountants in Australia (the Institute) is the professional body representing Chartered Accountants in Australia. Our reach extends to more than 67,000 of today’s and tomorrow’s business leaders, representing more than 55,000 Chartered Accountants and 12,000 of Australia’s best accounting graduates currently enrolled in our world-class Chartered Accountants postgraduate program.

Our members work in diverse roles across commerce and industry, academia, government and public practice throughout Australia and in 109 countries around the world.

We aim to lead the profession by delivering visionary leadership projects, setting the benchmark for the highest ethical, professional and educational standards, and enhancing and promoting the Chartered Accountants brand.

We also represent the interests of members to government, industry, academia and the general public by engaging our membership and local and international bodies on public policy, government legislation and regulatory issues.

The Institute can leverage advantages for its members as a founding member of the Global Accounting Alliance (GAA), an international accounting coalition formed by the world’s premier accounting bodies. With a membership of over 800,000, the GAA promotes quality professional services, shares information, and collaborates on international accounting issues.

Established in 1928, the Institute is constituted by Royal Charter. For further information about the Institute, visit charteredaccountants.com.au
Foreword

It is with great pleasure that I write the forward to this research into how certain Australian and New Zealand organisations are seeking to embed sustainable business practices into their ‘business as usual’.

As described in my Committee’s King Code of Governance for South Africa 2009 (‘King III’):

‘Planet, people and profit are inextricably intertwined. A key challenge for leadership is to make sustainability issues mainstream. Strategy, risk, performance and sustainability have become inseparable.’

Over the last 18 months since the launch of King III, there has been significant work undertaken globally to better understand the drivers of long-term sustainable value in business, develop sector-specific key performance indicators (KPIs), and build reporting taxonomies for standard financial and non-financial reporting.

In July 2010, the Global Reporting Initiative (GRI) joined forces with HRH the Prince of Wales’ Accounting for Sustainability project (A4S) to establish the International Integrated Reporting Committee (IIRC) – a global collaboration of various government, standard-setting, business and NGO organisations focused on developing a new integrated reporting framework – a framework that will effectively integrate financial and sustainability reporting into one strategically aligned report describing organisational performance from a financial, social and environmental perspective.

The size of the required task is significant but crucial. As HRH Prince Charles comments in the forward to Accounting for Sustainability: Practical Insights, governments and organisations are ‘battling to meet 21st Century challenges with, at best, 20th Century decision-making and reporting systems’.

This is why this report is so important. It is not theory, but provides case studies from organisations which have started their journey towards becoming more sustainable. The five organisations are all at different stages, and have had different challenges and successes. However, there are also many common attributes which have been explained and summarised to assist others as they plan their own sustainable business journeys.

I concur that CFOs and Finance teams have an important role in assisting their organisation not only to understand and define their key value driving activities and sustainability KPIs, but also to implement robust policies, systems, processes and controls to manage, monitor and report performance against them. The CFO and Finance team will also need to support their Audit Committee and auditors in performing their expanded roles as owners and assurance providers over the broader information set.

From my perspective, the most important action is for an organisation’s leadership to stand up and get started! I hope you enjoy and learn from these case studies, and that they help you to embed sustainable practices and reporting throughout not only your organisation but also all other aspects of your life.

Professor Mervyn King S.C.
Chairman of the Global Reporting Initiative, Chairman of the King Committee on Governance in South Africa, Deputy Chairman of the International Integrated Reporting Committee
A message from the President

Implementing sustainable business practices is a journey for every organisation, large and small. To succeed along this path of continuous improvement, the principles of sustainable development need to be embedded in your organisation’s strategy and culture. This has become an organisational imperative to remain competitive in the global business environment.

The Institute of Chartered Accountants in Australia is a strong advocate of sustainable organisations, and in particular, the role of reporting – combining financial with environmental, social, and governance factors – in an organisation’s long-term success. In addition, there is growing consensus that broad based, or integrated, reporting is the way forward as best practice reporting.

Integrated reporting provides users with a better understanding of an organisation’s key strategic value drivers, its business model, risks and opportunities, and the health of its resources over the short, medium and long term.

I trust these case studies provide some assistance in getting your organisation started on its journey to sustainable business practices.

Rachel Grimes FCA
President,
The Institute of Chartered Accountants in Australia
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Integrating sustainability into business practices: a case study approach
Executive summary

‘Sustainable behaviour just makes good business sense.’

Michael Luscombe, Woolworths CEO

Sustainability and business – an unlikely match? Perhaps once but no longer, to judge by the efforts of a number of Australian and New Zealand companies. This paper provides some business case studies that shed light on this debate, and some simple steps that should help business leaders take their part in it. But first, we must gain an understanding of how business sustainability has come about.

The journey towards sustainable business practices

The market meltdown resulting from the Global Financial Crisis (GFC) was a wake-up call for investors and financiers around the world. Markets are now realising they need to analyse more than just historic financials – they must consider environmental, social and governance (ESG) performance as well.

With increasing business interest has come greater regulation, or at least discussion of it. In certain overseas jurisdictions regulators are requiring organisations to report on both financial and ESG performance. In the last few years the Australian government has closely examined sustainability regulation, though at present reporting to a large extent is still voluntary.

Two further forms of influence are working to promote sustainability in business: market pull and organisational push. The market is increasingly considering sustainability in its investment decisions, while many companies are ‘pushing’ their sustainability credentials to their customers and other key stakeholders.

Lessons learned – five case studies

Some organisations have already embarked on their sustainable business journey. At the heart of this paper (pages 11 – 26) are the stories of five of these: Blackmores, Intrepid Travel, NIWA (National Institute of Water & Atmospheric Research), Woolworths, and World Vision Australia. These were chosen because of their variety in terms of size, industry and structure.

What emerges from the case studies is a mix of similarities and differences although one theme is common: they are all still on a journey. All five, for example, are driven by their core values to incorporate sustainability into business practices, yet these values and practices are different. Blackmores wants to ensure suppliers meet its ‘natural’ product requirements, while World Vision Australia is concerned about the link between climate change and developing world poverty.

Consider the financial risk of not being sustainable

Sustainability is becoming part of mainstream societal values. As such, falling behind on sustainability will represent an increasing risk for organisations. A number of points need to be acknowledged here:

> Sustainability-related risk is not standalone anymore but central to strategy
> Each company is different in terms of its sustainable business risks and opportunities
> Sustainability should be strategic and improve the financial bottom line over time, it is not a cost burden
> Accounting processes and practices play a key role in identifying and addressing sustainability-related risk and opportunity.

Adopt integrated reporting

There is a lot of interest in integrated reporting, which combines financial and non-financial information. An integrated report looks beyond the traditional timeframe and scope of financial reports and provides more strategically aligned and forward looking information. In this paper, we look at:

> Global and local initiatives, e.g. the International Integrated Reporting Committee (IIRC) and the use of technology (e.g. XBRL) to aid integrated reporting
> Potential roadblocks to integrated reporting (e.g. concerns raised in the case studies)
> Models to follow in implementing integrated reporting.

Taking action

This publication aims to get beyond the ‘hype’ of sustainability and provide some practical approaches in order to embed sustainability into mainstream decision-making, accounting and reporting. The case studies aim to illustrate some of the important roles that accounting and reporting can do and play in helping organisations to become more environmentally, socially and economically sustainable.

What are sustainable business practices?

Sustainable business practices are the policies, systems, processes and practices organisations use to take into account not only financial but also environmental, social and governance (ESG) considerations. Note there are several commonly used acronyms that mean essentially the same thing:

- ESG – environmental, social and governance
- SEE – social, economic and environmental
- TBL – triple bottom line.

(For a full list of acronyms used in this paper, see page 33.)
Introduction – the journey towards sustainable business practices

The Global Financial Crisis (GFC) was a wake-up call for investors and financiers around the world. The capital markets’ focus on short-term financial earnings and financial analysis, together with inadequate regulation and poor corporate governance, led to a global market meltdown.

Now the capital markets are realising that they need to analyse more than just historic financials, and consider environmental, social and governance (ESG) performance as an indicator of an organisation’s health and future prospects.

Some organisations had already embarked on a more sustainable business journey. They are embedding sustainable business practices into everyday decision-making and activities, and are starting to integrate their financial and ESG performance into one suite of key stakeholder information.

In this publication, we report on five leading organisations that have integrated the broad and inclusive concept of sustainability into mainstream financial processes:

> **Blackmores** – a publicly listed Australian company with revenue of c.$220 million
> **Intrepid Travel** – an Australian proprietary company with turnover of c.$120 million
> **NIVIA (National Institute of Water & Atmospheric Research)** – a New Zealand Government research institution with revenue of c.$120 million
> **Woolworths** – a publicly listed Australian company with turnover of c.$50 billion
> **World Vision Australia** – an Australian-based global not-for-profit with turnover of c.$350 million.

These organisations understand and are responding to the risks posed by the global mega-trends, whilst at the same time maximising the potential opportunities. They realise that embedding sustainable business practices makes good business sense.

**What are sustainable business practices?**

In 1987, the Brundtland Report alerted the world to the urgent need for economic development that could be sustained without depleting natural resources or harming the environment. The report defined sustainable development as: ‘Development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. The report highlighted three fundamental components to sustainable development: environmental protection, economic growth, and social equity.

Sustainable business practices are the policies, systems, processes and practices that organisations use in everyday decision-making and activities that simultaneously take into account all three of these fundamental components.

Another way to look at sustainable business practices is to consider how an organisation effectively uses its available scarce resources, both financial and non-financial (i.e. people, customer lists, IP, etc) to deliver sustainable outcomes (i.e. sustainable in terms of financial, environmental, social and governance returns) in accordance with strategy over the long term.

‘Sustainable business practices are the policies, systems, processes and practices that organisations use in everyday decision-making and activities that simultaneously take into account all three of these fundamental components [social, economic, environmental].’

**The slow rise of sustainability**

Corporate social responsibility (CSR) reporting really started in the late 1970s and was predominantly aimed at demonstrating to employees and certain external stakeholders that the organisation was not only seeking economic returns but also considering its impact on the environment and society in general. Many of these early reports presented more like marketing documents than strategic performance reports, and so were largely ignored by the capital markets.

It was John Elkington, in his 1998 book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, who started the triple bottom line (TBL) management and reporting movement. Under the TBL concept, an organisation’s responsibility lies with its stakeholders (anyone who is influenced, either directly or indirectly, by the actions of the organisation) rather than its shareholders or owners.

Although a number of global organisations have managed operations and reported business performance using the TBL concepts and framework, it has not been generally accepted globally. But since the GFC there has been a renewed focus on broad-based sustainable business practices and the production of more integrated and strategic performance reports. Key stakeholders are seeking to prevent a repeat of the GFC, and so are tightening the rules and demanding additional information on business performance, including on each organisation’s response to risks and opportunities arising from global mega-trends (or challenges) like climate change, population growth and urbanisation.

‘Boards have a directive towards ensuring that the company is not only meeting its short term economic obligations, but also retains the capacity to sustain itself over the long run.’

*Professor Rakesh Khurana, Harvard Business School*
Regulation of sustainability  
**Australia**  
Only in the last few years has the Australian government closely examined the need for sustainability regulation. In 2006 a Parliamentary Joint Committee inquired into the need for mandatory corporate responsibility and TBL reporting. After considering over 100 submissions, the conclusion was that voluntary corporate responsibility should be encouraged, but that mandatory reporting was not appropriate.

In 2007, mandatory TBL reporting was considered by the ASX Corporate Governance Committee when revising the ASX Corporate Governance Principles. Although the updated Principle 7, relating to risk management, specifically requires disclosure of material sustainability risks, mandatory TBL reporting was again not seen as required.

Today, there are no regulatory requirements in Australia for sustainability reporting. However, there is a growing number of specific environmental and climate change reporting obligations, including the National Greenhouse & Energy Reporting Act 2007 and the Energy Efficiency Opportunities Act 2006. In addition, legislation relating to the Murray-Darling Basin and other water management issues has been passed or are in train, and the government is actively working through the ‘sustainable population’ issue for Australia.

One reason given for not mandating sustainability reporting is a desire to reduce red tape. However, various local and global scandals (i.e. Enron, Worldcom, HIH), as well as the GFC, have thwarted government attempts to simplify further; and in fact, what organisations have experienced is a continuing “journey of additionality” (Figure 1) in mandatory reporting obligations beyond the financials.

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**Figure 1: Journey of ‘additionality’**

Source: The Institute of Chartered Accountants in Australia
Overseas
In certain overseas jurisdictions, the regulators require organisations to report more broadly on not only their financial but also their ESG performance.

In Denmark, for instance, all listed companies have to report on their sustainable business performance in accordance with the Global Reporting Initiative (GRI) G3 framework.

In Germany, accounting rule DRS15 requires companies to explain their ESG performance in the management report.

But it is perhaps South Africa which is leading the pack. In the King Code of Governance for South Africa (‘King III’), issued in September 2009, the King III Committee aimed to put South Africa at the forefront of governance internationally. One of the areas of focus in King III is the importance of conducting business reporting annually in an integrated manner, i.e. putting the financial results in perspective with the organisation’s impact (positive and negative) on its community and environment.

In the Foreword to the discussion paper Framework for Integrated Reporting and the Integrated Report released on 25 January 2011 to assist South African organisations in preparing their integrated reports, Professor King explains the rationale for moving to an integrated reporting framework:

‘Now, in the context of the global financial crisis and amidst increasing evidence that the current economic model is socially and environmentally unsustainable and that current reporting is not delivering, it is time for new and more effective forms of accountability.’

The Committee, among other recommendations, requires all listed South African companies to report on an integrated basis from March 2011, or explain why not.

This is part of a growing global trend, with Italy, Japan and South Korea researching implementation of similar broad-based integrated reporting.

‘The philosophy of the report revolves around leadership, sustainability and corporate citizenship.’

Mervyn King S.C., Chairman of King III Committee

Although the global regulatory response to the GFC is still being worked through, the G20 took quick action to enhance disclosure by organisations on their financial condition, and to require realignment of incentives to avoid excessive risk-taking. It also established the Financial Stability Board to address the vulnerabilities identified by the GFC, including tightening the financial adequacy obligations of financial institutions.

In summary, there is a growing local and global regulatory focus to find policy responses to fix corporate governance and sustainable business practices, and to address global mega-trends or challenges. There is a concern about imposing too much legislation and reporting burden on organisations, but unless there are voluntary improvements in both the actions taken and the transparency and candour of reporting, then it is likely that more regulatory reporting burden will be added.

Pull and push
Two forms of influence are working simultaneously to embed sustainability into mainstream decision-making, accounting and reporting:

> Market pull (investors seeking ‘responsible investment’)
> Organisational push (change being driven from within businesses).

Market pull
Investors are becoming increasingly aware of the risks arising from the global mega-trends, and are seeking to understand how these issues impact asset values, earnings and future cash flows. There is a growing focus on the need for what is called ‘responsible investment’. This is not values-based or ethical investment, but rather investment in organisations that understand, manage and report on the actions they are taking to address the broader implications of the mega-trends (or challenges) on their business model and strategy.

The global focus on climate change has turned a business externality (greenhouse gas emissions) into an internalised cost to business (carbon liability) – directly for large emitters and indirectly for all. The ability to factor a carbon cost into an investment decision has highlighted the real exposures and opportunities hidden in how companies manage relevant externalities arising from business activities as well as the mega-trends, such as climate change, population growth and urbanisation.

The GFC also emphasised for investors that analysis of financial data in isolation was not adequate for understanding the health and future prospects of an organisation. ESG factors are starting to be analysed in detail. Models are being reviewed to take account of quantitative ESG factors, and qualitative indicators are being factored into assumptions, i.e. the risk beta.

ESG performance is having an increasing influence on investor behaviour and capital allocation, and investors are demanding more candid, relevant and strategically-aligned sustainable business information from organisations in order to undertake this additional analysis.

There are many responsible investment sceptics, investors who do not believe systematic ESG research can materially
improve investment returns. However, there is growing evidence that systematic financial modelling integrated with ESG analysis can lead to lower risk betas and improved valuations and returns. Investors and analysts are starting to understand the importance of ESG performance data in their decision-making processes, but are constrained in their analysis and decision-making by the adequacy and accuracy of available ESG data.

‘A new member joining the workforce today will expect to work for over 40 years. Over that time the risk and returns on her superannuation investments will be influenced by ESG factors. Therefore, it is imperative that superannuation funds manage these risks with a view to maximising shareholder value and increasing shareholder returns over the long term.’

Australian Council of Super Investors (ACSI) Beliefs Statement

Organisational push

There is already a significant burden on organisations to ‘push’ a suite of reports out to various stakeholders. The requirement to add sustainability reporting might only make things more costly and onerous. However, as the case studies in this publication show, embedding sustainable business practices within an organisation’s DNA and then reporting sustainable business performance to key stakeholders can have significant business and/or operational benefits.

Firstly, the drive towards responsible investment by the capital markets and financiers will mean organisations that can demonstrate they understand and have addressed the implications of the mega-trends on their business strategy will have better access to capital and finance – likely a lower cost of capital as well, due in part to the reduced risk beta.

Secondly, the whole process of embedding sustainable business thinking within the organisation’s DNA requires a comprehensive rethink of the way in which current business decisions are made and activities undertaken. In future, boards, executives and employees should make decisions ‘looking through a sustainable business lens’. This rethink will enable the organisation to refocus on what is core to its ongoing success, and will almost certainly identify current activities which are not strategic or value-adding and so can be cut or removed.

Although Australian regulations are not yet as onerous as in some overseas jurisdictions, it is only a matter of time. Leading organisations should have started this journey already, or should be considering both the changing information needs of their key stakeholders and the potential business and operational opportunities available if they start to move towards more sustainable business practices and integrated reporting.

The way forward

Embedding sustainable business practices into the DNA of an organisation requires total commitment from the board (or those responsible for governance) and the senior executive team. It is a change program that must be carefully planned and implemented in measured stages.

The key is to clarify the corporate strategy, the objectives and required outcomes from an economic as well as an ESG (and ethical) perspective. The organisation must then engage, enhance and develop its key resources and relationships to implement its strategy to achieve the sustainable business outcomes.

All organisations have access to both financial and non-financial resources. Some of these resources will be depleting and so impacting on price and availability (e.g. oil, water, certain foods); others will be available but with complex drawbacks (e.g. many people, but with insufficient education and training; available funding, but costly and with significant covenants).

Sustainable organisations will understand their resource constraints now, as well as resource risks and opportunities over the next several years, and will take action to reduce, recycle, replace or adapt them to protect the organisation’s future, while creating a competitive advantage and delivering on current expected outcomes.

The five organisations featured in the case studies are all focused on embedding sustainable business practices and reporting on their integrated and/or financial and ESG performance. All have generously shared their experiences in marshalling their key resources – workforce, supply chain, product innovation and IP, major programs and operations, alliances, brand and customers – on their journey towards business sustainability.
Learn from your peers – five case studies

To understand how various organisations are embedding sustainability into mainstream decision-making, accounting and reporting, we undertook five case studies. We were not necessarily looking at the ‘usual suspects’; rather, we were keen to survey various types of organisations from Australia and New Zealand. The organisations studied were:

> Blackmores – a publicly listed Australian company with revenue of c.$220 million
> Intrepid Travel – an Australian proprietary company with turnover of c.$120 million
> NIWA (National Institute of Water & Atmospheric Research) – a New Zealand government research institution with revenue of c.$120 million
> Woolworths – a publicly listed Australian company with turnover of c.$50 billion
> World Vision Australia – an Australian-based global not-for-profit with turnover of c.$350 million.

We hope you find these case studies valuable as you embark on your own journey towards embedding sustainable business practices and integrated reporting.

For ease of comparison, the case studies have been presented using several themes:

> Governance and strategy
> Leadership and employee engagement
> Resources and alliances
> Integrated reporting
> Lessons learned.

Case study methodology

Once the five organisations had been selected and had agreed to participate, we:

> Undertook further desktop research to understand their published information and their approach to embedding sustainable business thinking in both their operations and reporting
> Tested their published claims and performance through a series of interviews with the CEO, CFO and sustainability managers, covering governance framework, sustainable business strategy, stakeholder engagement and the organisation’s journey towards sustainability and integrated reporting
> Gained an understanding of the CFO’s role in both ensuring the quality of the data (systems, processes, controls and audits) and in setting up, managing, monitoring, analysing and reporting key financial and ESG KPIs, where relevant
> Went into more detail by interviewing two or three executives and employees responsible for embedding sustainable business practices into one or two key areas of the business.

Note: The following pages of this paper provide extracts of the full case studies, and outline only some of the sustainable business activities undertaken by each organisation. In each case study we have summarised the lessons learned. These lessons relate to the full case studies and not always to the extract. Full case studies can be found at charteredaccountants.com.au/integratedreporting
Blackmores’ founder, Maurice Blackmore, began developing healthcare products based on naturopathic principles back in the 1930s. The current Chairman, Marcus Blackmore (son of the founder), is clear that all organisations, including Blackmores, have a responsibility to the next generation. The values on which the company was built – commitment to natural health, integrity, respect, social responsibility – fit well with its commitment to sustainability.

Blackmores has made major efforts to improve its sustainable business practices, but is still on its sustainability journey. For example, the company is in the process of auditing its supply chain (of more than 350 ingredients) to determine their GM (genetically modified) status. Blackmores is working with its contract manufacturers and ingredient suppliers to assess the GM status of sources, supplies and production techniques.

Figure 2: Blackmores’ sustainable business journey map

Source: Blackmores
Governance and strategy

In 2009 Blackmores developed its future growth strategy. Strategic sustainability objectives were built into executive annual plans (shared operational responsibility) and linked to performance pay, so that the required actions could be incorporated into manager and employee plans.

For employees, a simple one-page Vision Statement outlining the key planks of the strategy, together with the expected outcomes, was prepared; in addition a very simple ‘Journey’ diagram (Figure 2) was developed which highlights the sustainable business core of Blackmores’ Vision.

The executive team then undertook a roadshow to all company locations to explain the strategy, vision and journey to employees. These roadshows were critical to ensuring acceptance of the strategy and to involving every employee in its implementation.

Success of the new growth strategy can be measured in several ways. For example, Blackmores achieved a 46% total shareholder return in the year ending June 2010, with employee engagement remaining at over 80% (one of the strongest in Australia). Also, earlier in 2010 Bell Potter Securities Limited included Blackmores in its ‘Exceptional Eight’ companies for organic growth. Blackmores’ total return over the last 10 years (to March 2010) has been 566.2%.

Awards

Blackmores has won many awards, including:

- **2008** Pharmaceutical Packaging Action Award, Packaging Magazine Evolution Awards
- Ethical Investor’s Small Company of the Year
- **2009** Australian Institute of Architects Sustainable Architecture Award
- Pittwater Sustainability in Business Award for a Medium/Large Business
- **2010** Reader’s Digest Most Trusted Vitamin and Supplement Brand (Australia and Thailand)

Leadership and employee engagement

A decision to move Blackmores to a single 5-star site in Warriewood (on Sydney’s Northern Beaches) in 2008 was driven by the desire to have the workforce from the two Sydney sites under one roof, and provide much better working conditions. The site was selected after a survey was undertaken to find out where employees lived.

The design and fit-out of the building was leading edge, and one of the main objectives was to provide employees with a healthy work environment (with fresh air, good light, a fitness centre, subsidised canteen, etc). In addition, bike racks, showers and other amenities were included to assist those who wanted to cycle or walk to work.

From a commercial perspective, the new premises were required for growth and productivity improvements. These have already been delivered, with Blackmores achieving 26% productivity gains in 2009/10, and the new facility being earnings accretive after only 18 months (budget 3 years) as increased earnings more than covered additional depreciation and interest arising from the cost of the new premises.

Still, there have been teething difficulties in maximising the built-in sustainability features at Warriewood. Blackmores is working through each feature to ensure that when it comes on line it can be controlled internally and the sustainable business benefits realised. In addition, at this stage it is hard to evaluate whether the social benefits have been realised, although KPIs such as reduced sickness days due to the healthier environment are starting to be captured.

‘The new facility was earnings accretive after only 18 months (budget 3 years) as increased earnings more than covered additional depreciation and interest arising from the cost of the new premises.’

In terms of sustainability leadership, Blackmores is currently considering whether to continue to centralise its sustainability effort in a single management position, or more likely embed responsibility for sustainable business practices into the roles of all senior executives.

Once a decision has been made, the strategic commitments and outcomes in the Vision Statement will be included in the key responsibilities and KPIs of the relevant executives and their teams. At this point, further decisions will be made about whether to adopt a more formal sustainability reporting template (e.g. GRI G3) or continue to build on the current more integrated reporting template.

Resources and alliances

Blackmores uses contract manufacturers in Australia and New Zealand to produce its natural health products, with bottling, packaging and distribution occurring at Warriewood. The company has established policies to guide the research and development of new natural health solutions, including policies for:

- **Ingredients** (e.g. bovine cartilage can be used for chondroitin but shark fin cannot)
- **Animal testing** – guidance and controls in place
- **Use of GM materials**

Integrating sustainability into business practices: a case study approach
Packaging – guidance for compliance with the Packaging Covenant

Environmental considerations – guidance for procurement.

Blackmores has established a Strategic Sourcing Group charged with gaining a better understanding of the sustainability of current ingredient sources and supplier working practices, with a view to having tighter control for product labeling and to facilitate supplier and contract manufacture audits. This group will also identify alternate sources to ensure security of supply.

Accounting and integrated reporting

The Blackmores’ Annual Report 2010 is a form of integrated report in that it includes a good overview of Blackmores’ performance financially, environmentally and socially against its key strategic planks. Throughout the report there are a number of interesting performance statistics as well as qualitative stories; however, there are no targets to assess performance against. The report for 2011 will be enhanced to report back on performance against the strategic commitments and outcomes detailed in the Vision Statement.

The role of the reporting team has been to support the other executives in implementing commercial sustainability strategies. For example, the board and executive team made the decision to build a tri-gen plant primarily to reduce Blackmores’ greenhouse gas (GHG) outputs and improve the environmental rating of the new building; the role of the reporting team was to negotiate an effective deal structure with the energy company and maximise available grants.

GHG data collection and reporting were undertaken by the reporting team, but this is now automated for Warriewood and managed by Operations. Other data used in the annual report (and board papers) are captured by the responsible department. Once the outcomes included in the Vision Statement are embedded in executive plans and KPIs, the reporting team is expecting to have a greater role in tracking and reporting performance internally.

Blackmores’ performance in effectively delivering on its Vision Statement and sustainability commitments is critical to continually enhancing one of its key resources – its trusted brand and high reputation.

For full details of Blackmores’ sustainability journey go to charteredaccountants.com.au/integratedreporting

Lessons learned

Governance and strategy for sustainability

> Define what the business stands for, and embed sustainable business thinking into everyday activities and decision-making
> Establish policies for sustainable business practices, and communicate them across the organisation.

Leadership and employee engagement

> Make organisational values, including sustainability, part of recruitment policy
> Establish cross-functional teams to assist in implementing and continually improving sustainable business practices
> Build sustainability objectives into executive annual goals and plans, linked to performance incentives
> Consider the environmental, social and ethical, as well as financial, implications of each proposed transaction.

Resources and alliances

> Ensure the source, production methods and supplier of ingredients and equipment is known – it can impact brand and product value.

Accounting and integrated reporting

> Consider reviewing the various reporting frameworks, and sector supplements, and adapt one to best suit reporting on the organisation’s own strategy and vision
> Consider linking management and reporting of sustainability to risk management systems and processes
> Ensure the reporting team is involved in developing the strategy and vision, and especially in the identification of measurable outcomes and achievable sustainability targets.
Intrepid Travel Pty. Limited was founded in 1989 by Darrel Wade and Geoff Manchester, initially to provide adventure trips to Thailand. Sustainability, or what Intrepid calls ‘Responsible Travel’, was and still is the principle underpinning Intrepid products.

There are essentially three phases in Intrepid’s sustainability journey. The first decade, the founding years, was focused on developing a Responsible Travel product. The second decade or so was one of development, with a more mature governance framework, a broader global product range, and implementation of a sustainable development strategy. Intrepid is just about to enter its third decade, its maturity years, as a leader in Responsible Travel, preparing external shareholders for public listing in the future.

‘Intrepid is committed to travelling in a way that is respectful of local people, their culture, local economies and the environment.’

www.intrepidtravel.com

Despite Intrepid developing policies over time, a recent review identified certain weaknesses and gaps, which are now being rectified (e.g. strengthening anti-corruption policies). As Intrepid tightens its governance as a private company, it is starting to consider what further changes will be required over the next two to three years to meet the needs of potential new external shareholders.

Awards
Intrepid has won many awards, including:

2007 Winner, British Travel Awards
Gold Award Corporate Environment Programme

2009 Budget Travel Magazine ‘Extra Mile Award’
Outside Magazine’s ‘Best Places to Work’ (USA)
Finalist, BRW’s Private Business of the Year Awards

Leadership and employee management
In 1998 Intrepid employed a part-time Responsible Travel Co-ordinator and in 2000 a full-time Responsible Travel Manager. In 2008, Intrepid expanded this into a Sustainability Department and recruited a Sustainability Manager. One of the Sustainability Manager’s first steps was to align the company with a recognised global sustainability initiative, and so publicly demonstrate the company’s commitment to sustainable development. At the end of 2008, the company signed the United Nations Global Compact (UNGC), and developed its Sustainable Development Policy around the UNGC’s principles.

The Sustainability Manager developed a framework to document how sustainable development was integrated in Intrepid’s strategy and current practices, highlighting the areas where more work was needed (see Figure 3).

Resources and alliances
From the start, the founders were conscious that they needed to look beyond the balance sheet to areas such as the environment, society, economy, governance and ethics. Although they had no formal governance framework, sustainable business practices were engrained in the culture of the organisation through recruitment and training of like-minded leaders. As the business developed, so did the need to ‘back-fill’ some of the missing or incomplete policies, systems and processes. The focus moved to governance, longer-term strategy, risk management and sustainable growth.

Governance and strategy
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Intrepid Travel

**Facts and figures**

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Proprietary company</th>
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<tbody>
<tr>
<td>Industry</td>
<td>Retailing (Travel)</td>
</tr>
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<td>Turnover (2010)</td>
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<td>Operations</td>
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<td>Employees</td>
<td>900</td>
</tr>
<tr>
<td>No. of travellers p.a</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Initially Intrepid recruited mostly ex-pat Australians to be tour group leaders. These individuals understood Responsible Travel and lived the company’s core values; however, as ex-pats they missed cultural opportunities that only locals knew about, and the ex-pat model was expensive and fraught with compliance obligations and recruitment issues.

Intrepid realised that establishing local subsidiaries, and recruiting and properly training local employees, provided a more sustainable outcome. Now Intrepid has 10–12 overseas subsidiaries and joint ventures, and over 90% of tour employees are local recruits. This not only removed the issues noted above, but provided a unique cultural experience for travellers.

In order to protect and develop the company’s core IP, a dedicated team led by the Responsible Travel Manager has been established. The team is responsible for developing policies, practices and guidance to assist passengers in travelling responsibly and get the most out of their cultural adventure. It also assesses the design of new tours to ensure that they will deliver the cultural experience and the requirement of a Responsible Travel itinerary.

The continual focus on Intrepid’s Responsible Travel policy and practices underpins the brand value of the company and its reputation globally. Intrepid works hard to protect its IP through strict enforcement of its policies, genuine and equitable support for the host communities, and by strengthening its alliances with both retail and wholesale travel agents and tour operators. These actions help Intrepid to maximise its global presence and respond to travel trends in its experiential sector.

In 2005, Intrepid decided to focus on how to minimise the company’s impact on climate change. The company also switched to green power, and has achieved its goal of being carbon neutral from 2010. Residual emissions are offset through the purchase of accredited carbon credits. The greatest environmental impact comes from Intrepid’s product – the tours. Recognising this, Intrepid developed a methodology for calculating the emissions for each tour and offsetting the carbon produced by each passenger. Intrepid is not only addressing its own emissions but working with its customers to reduce their trip-related emissions, such as assisting them to offset their flight emissions. Carbon offset flights are optional when a customer books their airfare through Intrepid.

Figure 3: Intrepid’s Sustainable Development Framework
Accounting and integrated reporting

Intrepid is a private company and is not required to report its financial performance publicly. It reports key non-financial information on its website, and more recently through its UNGC Performance Report. Its current disclosures tend to be qualitative, with evidence provided through feedback and case studies. However, the company has committed to providing more quantitative measurement of performance (a ‘scorecard’) and producing a full sustainability report (GRI B+) for 2011. The management team has agreed to include financial data in this report, so it will effectively be an integrated report.

Internally, the company has established core goals. These are then cascaded into divisional goals, and then into personal plans. There is a direct link between individual goals, performance assessment and annual bonuses. There are two financial goals at a company level, and a further nine that relate to sustainable business management. Each goal has a true target, threshold and stretch. Performance is measured through surveys, feedback forms or extracts from core records. There is regular management reporting – weekly for sales and monthly for most financial metrics.

With the commitment to prepare and publish a 2011 Sustainability Report (including financial data), the likely introduction of external shareholders in the near future and the potential for an IPO, the finance team and other departments, are working closely with the Sustainability Manager to select reportable GRI indicators, improve the business’s IT, find a new sustainable building for head office, and undertake comprehensive risk management. Regarding risk management, the reporting team recently undertook an enterprise-wide risk assessment and identified 15 key sustainable business risk areas. Each is now being worked through to ensure there are policies, systems, processes and controls in place to mitigate risks.

The reporting team has an important role in ensuring there is balance in reporting of financial and sustainability performance information that supports internal management’s decision-making and meets the needs of external stakeholders.

‘The CFO’s role is critical to determine what drives value for the business. The CFO works to ensure performance of growth strategies, systems and processes are reported, for example through dashboards, for management information and action; as well as assists in “talking to the company’s story” to key stakeholders.’

Matt Beard, CFO, Intrepid Travel

For full details of Intrepid’s sustainability journey go to charteredaccountants.com.au/integratedreporting

Lessons learned

Governance and strategy
- Establish the business’s core mission and values, and issue a code of sustainable business conduct
- Integrate the sustainable business goals within the overall corporate strategy, so they operate together to drive business value
- Be prepared for some sustainable business projects to fail – don’t overcommit to one specific opportunity
- Do not over-engineer compliance obligations so they become a burden, but put in place systems and processes to address key obligations.

Leadership and employee engagement
- Align performance-based remuneration to the key sustainable business goals
- Ensure steadfast commitment to sustainability from the leadership team, and that there are champions of sustainable business practices at all levels
- Ensure that ‘blockers’ to the business’ sustainability strategy are identified; and work with them to resolve concerns.

Resources and alliances
- Engage with all key stakeholders and explain the importance of sustainability to long-term business success
- Be open and transparent in all public communications, e.g. embracing poor feedback as an opportunity to improve
- Sign up to a respected global initiative to help get traction (e.g. UNGC)
- Recruit and train local employees, and where possible use local suppliers
- Build sustainability into the design of products and solutions.

Accounting and integrated reporting
- Minimise bureaucracy and reporting burden for the organisation, and focus on reporting information and metrics that are material, relevant and aligned to strategy
- Align internal and external reporting to minimise duplication where possible
- Focus external audit and internal evaluations on the sustainability of key areas of the business
- Document systems, processes and controls in key areas of operations (including reporting) as a reference for new employees, and to assist employees located away from head office.
NIWA was established by the New Zealand Government in 1992 as a Crown Research Institute (CRI). As a CRI it is a stand-alone company with its own Board and executive team. Its two shareholders are the Minister of Finance (50%) and the Minister of Science & Innovation (50%), who require, among other things, a 9% return on equity from all CRIs. NIWA is charged in law, as well as through voluntary strategy, to focus on the sustainability of its activities.

‘NIWA is committed to making a positive contribution to New Zealanders well-being. This commitment is reflected in a set of guiding principles that cover our social, economic and environmental responsibilities.’

NIWA Annual Report 2010

Governance and strategy
NIWA is currently working through its Vision, Strategic Plans and underlying longer term Science plans to confirm the core ‘responsibility’ commitments and so identify meaningful measures of success. This will enable it to set, track and report on targets and required outcomes. This process is currently in progress for inclusion in the 2011/12 Annual Business Plan for approval by the Ministers.

For 2010/11, NIWA is expecting to report on the core responsibility commitments and activities which demonstrate that the NIWA principles are being delivered. Some existing quantitative targets may be retained, but others may no longer be relevant and new ones may have to be developed. During this transition period there may be few quantitative KPIs to report against target.

NIWA has a number of overarching practices and policies, including policies overseen by an Animal Ethics Committee for projects involving animals. NIWA has a policy not to use genetically modified organisms or products in any experiments. NIWA also has a policy not to provide an endorsement of any product, even if tested by NIWA, as it is committed to scientific objectivity.

Adopting over-arching policies to set boundaries and engaging local managers and employees to contribute to and implement the sustainable business strategy are seen as critical in ensuring that sustainable business decisions are made at all levels of the organisation.

Awards
NIWA has won and/or been a finalist for a number of awards, including:

2008 Annual Report Award – Best Governance Reporting by a Crown Research Institute

2008 – 2010 NZICA Annual Leadership Awards – Best Sustainability Reporting Finalist

Leadership and employee engagement
There is a demonstrable top-down focus on commercial sustainable business practices. For example, the CEO personally drives Health & Safety (H&S) in the workplace. NIWA employees work in some potentially dangerous places (e.g. Antarctic, deep sea) and H&S must be front of mind at all times. The CEO is clear that ‘not hurting people’ is the number one priority, but he also knows that excellent H&S performance delivers good economic and social returns.

From day one, the CEO instigated a process for open and honest ‘no blame’ reporting of incidents and accidents. This data allowed for better analysis of the root causes of incidents and the development of sustainable solutions. The CEO undertakes at least two roadshows per year to each location, where he reminds employees of the importance of effective H&S practices. This leadership and focus has resulted in a significant improvement in reporting, and a significant reduction in incidents and accidents.

On the environment front, NIWA has a central Manager Environmental Responsibility who is responsible for establishing NIWA’s sustainability objectives and required outcomes. Environmental Responsibility Committees (ERCs) chaired by each regional manager, and involving local finance and scientific employees, provide ideas and inputs to the Manager Environmental Responsibility. The ERCs also drive
Integrating sustainability into business practices: a case study approach

sustainable business practices at both the operational and scientific level, and develop and pilot new ideas prior to national rollout.

**Resources and alliances**

NIWA’s scientists aim to ‘take users to the end of their horizons, and then beyond’. In order to do this successfully and sustainably, they need to work well internally on key projects and share their skills and experience with other CRIs and globally re-known universities and research institutes. Collaboration is vital in addressing the global issues NIWA is researching.

NIWA recently embarked on a three-year NZ$60 million capital expenditure program to refurbish its vessels, upgrade its high-performance computing capability, and purchase equipment to ensure its leading scientists had the best tools to work with. This program was completed in December 2010 despite the GFC; along the way, a number of difficult sustainability ‘trade-offs’ had to be considered. For example, NIWA’s new IBM super-computer considerably increased IT energy consumption (from 60 to 400+ KwH per annum), but is 100 times more powerful than the previous model and will meet NIWA’s super-computing requirements for the next 6–8 years, especially in the area of hazard modelling (e.g. forecasting floods, droughts, storm surge and other weather-related hazards in specific areas). It will also provide new revenue opportunities, and in fact it is already being used by other research organisations from Australia and NZ. NIWA has achieved many of the targets they set themselves for energy, water, waste and GHG. For example, they cut the fuel usage of the research vessels by 30% by reducing cruising speeds by 2 knots; however, to reduce speed further would have significant impacts on the amount of research work the vessels could undertake. Therefore although these areas will continue to be managed, and monitored, they are not likely to be given as much future emphasis as other key indicators of NIWA’s performance against its commitments in the annual report.

NIWA had a policy of buying goods and services locally at each office – with a view to supporting local communities. In 2008, it engaged a central Strategic Procurement & Asset Manager to develop and implement a sustainable...
purchasing and ethical supply policy. Procurement policies were established around value for money, a preference for NZ products and suppliers, and environmental responsibility. This has saved money, but at a loss of support for local businesses. The procurement process is continuously being re-reviewed to maintain the financial benefits realised, but to also find ways to re-engage and support local communities. NIWA has reintroduced some local purchasing on a case-by-case basis.

Accounting and integrated reporting
In order to meet its legal obligations, NIWA prepares a detailed Annual Business Plan for approval by the Ministers each year, and then reports in its annual report against pre-set targets. NIWA has also included additional information in recent annual reports to demonstrate the sustainability of its performance, including a financial summary and sustainability report. In recent years, it has wanted to shift from ‘tick box’ reporting of numerous indicators to a more strategically focused approach.

For 2007/08 NIWA produced a ‘quadruple bottom line’ report using guidelines and indicators from the international standard (GRI-G3) for performance against environmental, labour and social/cultural indicators. Although this report won awards, it took considerable effort and cost to develop, and in the view of the board and executive did not clearly demonstrate performance against NIWA’s central strategy as New Zealand’s leading environmental science research centre. The 2008/9 report included a simplified sustainability report, providing a narrative under each of the GRI four ‘pillars’ with GRI G3 indicators published online.

In 2009/10, the Sustainability Report has been replaced by an Organisational Responsibility Statement, which sets out a set of guiding principles that cover our social, economic, and environmental (SEE) responsibilities. The report sets out commitments in each area, but with limited performance reporting. This is the first stage of a deliberate transition to what NIWA believes will be more meaningful reporting (quantitative and qualitative) on its sustainability activities from 2010/11 onwards.

For full details of NIWA’s sustainability journey go to charteredaccountants.com.au/integratedreporting

Lessons learned
Strategy and governance
> Establish a vision, mission and values to take sustainable business practices into account (whether embedded in legislation or not)
> Agree SEE priorities with the Board, and include them in CEO and executive annual plans, so that they are cascaded throughout the organisation
> Be aware of sustainable business ‘trade-offs’ that may need to be made.

Leadership and employee engagement
> Ensure clear leadership from the top, but include employees at all levels in ideas generation and implementation
> Encourage and reward collaboration internally and with respected external parties
> Ensure that SEE achievers at all levels are recognised.
> Allow for occasions when things must be undertaken because ‘they are the right thing to do’
> Establish a no-blame culture for reporting incidents and ‘near misses’
> Set aspirational goals with a short and longer term focus – including ‘zero’ if achievable; then measure and report on performance against targets/milestones.

Resources and alliances
> Collaborate and seek open-source solutions for innovation that will expand the market.

Accounting and integrated reporting
> Allow for evolution of sustainability reporting over time, and ensure the focus is always on demonstrating sustainable performance against the organisation’s strategy
> Establish capex and investment policies and business cases, including a requirement to formally assess the social and environmental, as well as economic, implications of a proposed transaction
> Work with the CFO and their department to identify, define, document and collect key KPI and outcomes information.
Woolworths

Facts and figures

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<thead>
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<th>Type of organisation</th>
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<td>Australia, New Zealand</td>
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<td>188,000</td>
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<td>No. of stores/outlets</td>
<td>3,199</td>
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</table>

Woolworths Limited was established in Sydney in 1924 as ‘Woolworth’s Stupendous Bargain Basement’. It grew in Australia and New Zealand both organically and through acquisition, and was listed on the ASX in 1993. In 2007 Woolworths codified its sustainability goals and roadmap in its Sustainability Strategy for 2007 – 2015.

Woolworths sees sustainability not as a stand-alone activity but as one that is embedded in everything it does. The company is now halfway through the seven-year strategy and is undertaking a review of progress and making improvements.

Awards

Woolworths has won many awards, including:
- 2008, 2010 Leadership award (Australian Food & Grocery Council)
- 2008, 2009 Sustainability Reporting award (ACCA)
- 2009, 2010 Banksia finalist (large business sustainability award category)

Governance and strategy

Woolworths has established a governance framework around its Sustainability Strategy:

> Board – The board has ultimate responsibility for governance over the sustainability agenda. The Group Manager Sustainability reports to the board on a monthly basis
> Executive – The key driver of the Sustainability Strategy is the Sustainability Executive Committee (SEC), comprising the CEO, CFO, Group Manager Sustainability and general managers from the trading and support divisions
> Champions – At the next level down are sustainability ‘champions’ from retail businesses and logistics

> Expert advice – Woolworths has set up a Corporate Responsibility Panel of external experts in sustainability, ethics and other relevant fields who provide advice to the CEO and leadership team.

The sustainability governance framework is multi-layered and complex, as would be expected for a large public company seeking to drive sustainable business thinking throughout its whole business. However, the framework is not static, and will be enhanced following the current strategic review.

Leadership and employee engagement

Woolworths has been very successful for many years, but in 2007, with the drive of the then new CEO, Michael Luscombe, Woolworth’s codified its sustainability goals and roadmap in its Doing the Right Thing: Sustainability Strategy 2007 – 2015:

‘Woolworth Limited’s long-term goal is to be recognised as the leader in sustainable retailing in the Australian retailing sector. As such, integrating corporate responsibility and sustainability into our (Woolworth’s) day-to-day business practices is a high priority.’

The reason the CEO re-focused Woolworths’ on sustainability is simple, as a retailer Woolworths needs to understand how people feel, what their fears and needs are, and how these needs are changing and then try and align the business’s focus to addressing those needs, building both loyalty from customers, and effort from employees.

In the CEO’s opinion, focusing on sustainability is about doing the right thing… and sustainable behavior just makes good business sense.’

With the society-wide focus on climate change, Woolworths’ management decided to focus its Sustainability Strategy initially on environmental conservation and waste reduction activities which would deliver both community and business benefits.

In order to identify and prioritise Woolworths’ key environmental sustainability issues, the Group Sustainability Manager took four steps:
- Review sustainability legislation and regulation
- Review practices of overseas retail companies regarding sustainability reporting
- Undertake a broad scan of media and market research on sustainability
- Meet with internal managers to identify areas of focus.
The manager summarised the priority issues in an Issues Matrix (see below). She knew from experience that the Sustainability Strategy needed to align with Woolworths’ overall strategy, and there needed to be some ‘quick wins’ that would capture the imagination of management and employees, involving them in the sustainability strategic drive. She also knew that Woolworths is a responsible retailer, not a charity, so there must be a return on investment.

Implementation of the Sustainability Strategy has delivered a number of financial, environmental and social benefits, as well as challenges, which are clearly reported in the annual Corporate Responsibility Report. The Report also describes Woolworths’ response, and actions taken to address community issues such as plastic bags, GM food, responsible sale of alcohol etc.

However, engagement of Woolworths 188,000 people has been the central ‘resource’ mobilised to drive the change and deliver on Woolworth’s central sustainability strategy and objectives.

Woolworths believes it is its people and culture which gives it a competitive edge. Woolworths is committed to building the capacity of its people, spending over $63 million on learning and development in financial year 2010, recruiting during the GFC, introducing a diversity strategy and paid parental leave, as well as many other staff focused initiatives. ‘Engaged employees – Woolworth’s key driver of sustainable business practices, innovation and enhanced brand value.’

The targets were set based on proven technology available at 2007, taking into account growth plans and ability to retrofit existing sites. Each initiative needed to meet Woolworths’ required hurdle rates; some were easy like the ‘water saving commitments’ which paid for themselves in seven months’ others required more detailed modelling. Some stretch was built into the future targets for 2015 to take account of likely future technology improvements.

As a large and complex company, Woolworths has had to prioritise sustainability issues with a view to taking action where it will be most effective.

**Figure 5: Prioritisation of environmental sustainability issues**

<table>
<thead>
<tr>
<th>Issues</th>
<th>Immediate and direct cost to business</th>
<th>Impact on reputation</th>
<th>Priority</th>
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<tbody>
<tr>
<td>Climate change:</td>
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</tr>
<tr>
<td>&gt; Use of energy and greenhouse gas emissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Use of fuel and associated greenhouse gas and other emissions in our distribution network (trucks) and our company cars/business travel.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Direct use of water and the effect of drought.</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Sourcing of our private label products and ingredients as well as other products and services.</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Packaging – including consumer packaging in our private label products and distribution packaging.</td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Waste generation from all our stores.</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Store development (design, construction, equipment and materials specification).</td>
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<td></td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Woolworths

As a large and complex company, Woolworths has had to prioritise sustainability issues with a view to taking action where it will be most effective.
Resources and alliances

Woolworths realise that some of the services provided by the group have social implications, and they have had to make trade-offs (i.e. to gain liquor licenses in Queensland, Woolworths needed to own pubs, which in turn led to an involvement in gaming); however, they have found that being transparent about their business activities has enabled them to better engage communities and NGOs to discuss issues and seek to develop sustainable and yet commercial solutions.

Woolworths has been active in building community alliances and supporting community initiatives. These include:

- **Responsible food retailing** – Fresh Food Kids campaign, Food Rescue program, Foodbank, educational activities on genetically modified (GM) food

  The Food Rescue program has significantly reduced organic waste, whilst delivering food for people and animals. There are four programs: Farmers Program; Reverse Logistics; Total Fresh; and Single Charity. Most food retail outlets run one or more programs, some run all four. At Woodford in Queensland, the team now only uses a third of a 3m bin per week, as opposed to an average of 2 – 3 bins per store. From a social perspective, many Queensland stores provide food to the Tribes of Judah under the Total Fresh program. This Christian motorbike gang then cook, freeze, and distribute the food for use at Ronald McDonald Houses.

- **Responsible sale of alcohol** – Developing and implementing an Alcohol Ranging Charter with 10 principles that must be met before a product can be added to the range and sold

- **Responsible service of gaming** – Initiatives to both train employees and educate gamblers about ‘being honest with yourself about your gambling’

- **Responsible sourcing** – Being a signatory to the UN Global Compact and working with suppliers to ensure compliance with the organisation’s ethical supply policies

- **Animal welfare** – Meeting consumer needs while helping suppliers deal with changes (e.g. move to free range eggs).

Accounting and integrated reporting

‘Don’t think of profitability and sustainability as separate propositions. Sustainability is not just about social and environmental benefit. There has to be value for the business as well, whether that’s risk mitigation, resource efficiency/cost savings, or creating market share.’

Tom Pockett, CFO, Woolworths

Woolworths’ Sustainability Strategy includes commitments and targets for 2015, as well as a commitment to prepare a Corporate Responsibility Report each year. The Report was to be prepared in accordance with the GRI Sustainability Reporting Guidelines and externally verified. The 2009 and 2010 Reports have met these commitments, though some initial targets have been reworked as Woolworths gets a better understanding of its key sustainability risks and opportunities.

Woolworths understands the value of the integrated performance report for key stakeholders, but sees itself as not yet in a position to integrate the core financial report with the sustainability report. It is only half way through its Sustainability Strategy and is just starting to bed down the GRI-compliant sustainability report and key KPIs. Woolworths believes there will be a broader move to integrated reporting once a framework has been developed, and consistently applied definitions for retail sector KPIs have been determined. At this point, it is likely to move to the integrated framework.

The CFO, Tom Pockett, is a key member of the Sustainability Executive Committee and is responsible for developing and implementing the Sustainability Strategy and the approval of sustainable investments. Finance has a specific role in ensuring there is rigour in the investment business cases.

Reporting responsibilities at Woolworths are divisionally based, and sustainability targets and KPIs are reported as part of mainstream business reporting for review by the CFO and CEO leadership team.

The reporting team has also been closely involved in commissioning the new sustainability management system, which will extract the required data from underlying systems and present sustainability management reports more regularly and efficiently. It has taken Woolworths over two years to determine what information is required, define the data, and work with the vendor to implement the system. However, soon all sustainability data will be systems-generated and readily available to assist with internal decision-making.

For full details of Woolworths’ sustainability journey go to charteredaccountants.com.au/integratedreporting
Lessons learned

Governance and strategy

> There needs to be clear and consistent leadership from the Board and CEO to drive the sustainability agenda

> Embed sustainability into everything you do, and align community and environmental activities to the broader business strategy

> Consider establishing an independent advisory panel to review and challenge current and future practice.

Leadership and employee engagement

> Start the sustainability strategy in a few areas where there are visible ‘quick win’ opportunities

> Ensure middle management and operational employees are ‘on board’ by linking messaging to what they do and care about

> Develop and motivate sustainability champions (i.e. don’t take them for granted), and they will drive behavioural change among their peers

> Link sustainability outcomes to divisional leaders key KPIs, to be cascaded to each division.

Resources and alliances

> Remember the needs of stakeholders, and that their view on sustainability will change over time

> Implement an ethical supply policy, undertake audits of ethical processes of suppliers, and undertake lifecycle analysis of products

> Investigate the background of joint venture partners and the goods and services they supply

> In engaging with stakeholders, use plain language to explain sustainability and why it’s important to long-term business value.

Accounting and integrated reporting

> Align internal reporting information for sustainability performance with targets, KPIs and qualitative outcomes for external reporting

> Be transparent in your reporting, and open and respectful in discussion on sustainability issues, as this will result in better and more valuable dialogue with customers, communities and others.

> Systemise data capture (e.g. GHGs, waste, water use)

> Engage the reporting team to support in developing policies, systems, processes and controls for sustainable decision-making and ongoing collection, monitoring and reporting of KPIs

> Undertake internal and external audits of sustainability reporting systems to add credibility to the information as well as to highlight gaps with a view to improvement and consider holding separate sustainability briefings for analysts and investors.
World Vision Australia (WVA) commenced operations in 1966 and is a member of World Vision International (WVI), a partnership of over 90 interdependent national offices. WVA was established with a clear social mission of working with children, families and communities to overcome poverty and injustice. The organisation’s core values include commitment to Christian teachings, to the poor, and to the needs of people in life-threatening situations. These values are commonly associated with World Vision in the wider community. WVA is also committed to effective stewardship: ‘managing the resources available to bring maximum benefit to the poor, whilst at the same time taking care to restore and protect the environment and ensuring development activities are ecologically sound’. WVA has in fact built principles of broad sustainability across social, environmental and economic dimensions into its mission and values.

How WVA responds to the threat of climate change will determine its effectiveness in achieving its mission for decades to come. WVA has taken on the role of global leader for the WVI partnership in climate change and environmental advocacy matters with a view to developing a uniform approach for each jurisdiction. Through its advocacy and the actions it takes itself, WVA management will increase the pressure it puts on Governments to both promulgate required mitigation legislation and regulation, as well as act more efficiently and effectively in the use of government aid monies.

**Leadership and employee engagement**

Over the last few years, WVA has undertaken a number of simple projects to reduce its operational carbon footprint and improve the energy efficiency of its facilities. In order to be an advocate for climate change action, WVA realised it must take action in its own operations first.

WVA considered moving to a 5-Star head office building, but decided it was more prudent not to relocate at this time. However, the board and executive did commit WVA to achieving a target of zero emissions by 2017 for a selection of key head office indicators (air travel, car fleet, electricity, gas, paper). This will be achieved by purchasing carbon offsets where emissions cannot be effectively reduced further.

WVA has recruited new skills to deal with its strategic commitment to sustainability and to address some of the issues it identified through its refresh of strategy. By way of example, a new group has been formed, the Innovative
Partnerships Team (IPT), to target partnerships and projects in climate change, health and program resources. The IPT is involved in a number of programs, for example the development and distribution of energy efficient stoves in communities. These simple stoves reduce GHG emissions by some 98%, as well as reducing the need for women to collect fuel for cooking. In addition, the IPT is researching how to help communities register carbon credits for the GHG savings, potentially generating additional funds for the community.

WVA has already been successful in registering carbon credits and generating income from their sale in a community in Ethiopia. The Humbo Project is the first project of its kind in the world. It is the product of collaboration across organizations and continents, involving World Vision offices in Australia and Ethiopia, the World Bank, the Ethiopian Environment Protection Agency, as well as local and regional governments and the community. It has restored more than 2,700 hectares of degraded land in Humbo in south-western Ethiopia since 2007. Registration of the project by the United Nations enables the future sale of over 338,000 tonnes worth of carbon credits (by 2017), of which the World Bank’s BioCarbonFund will purchase 165,000 tonnes worth of carbon credits.

Resources and alliances

WVA believes that in the future it will need to work more closely with partners outside of the World Vision partnership to drive longer-term development. In a complex and interdependent world, WVA acknowledges the importance of external partnerships for enhancing its relief, development and advocacy efforts. Single-sector approaches to global issues, including the fight against poverty, are not likely to succeed.

Working effectively in collaboration with other organisations from across all sectors of society is not seen as optional – it is considered to be essential to meet shared challenges such as achieving the Millennium Development Goals or effectively managing the impact of climate change. WVI is responsible for assessing global suppliers. National offices often procure building products in country to meet the needs of the aid program. Local procurement may provide a more sustainable and cheaper option, reducing GHG from transportation and providing work in impacted regions. It is acknowledged, however, that this is an area which could be improved with formal whole-of-organisation policies and procedures on supply chain issues such as ethical procurement. This is an area WVI has commenced working on.

In countries where aid supplies cannot be procured locally, they have to be freighted into the country. WVA has engaged a single freight forwarding company that guarantees delivery to the actual disaster site (minimising potential customs issues). The freight company also allows WVA to select the ships with the lowest carbon impact to deliver aid.

Accounting and integrated reporting

WVA’s 2009 Annual Report was an integrated report as it provided financial, environmental, social and governance performance information. In WVA’s opinion the integration of these elements in its reporting may be a little further ahead of the integration which occurs in its current operational systems and processes. WVA is alert to this issue and is using its reporting as a lever to help bring clarity to its operational arrangements. WVA has been working to improve its current reporting, and especially its ‘accountability framework’, which is based on three guiding principles:

> Authentic participation in partnerships
> Reflection and learning – to continually improve how WVA makes a difference
> Transparency.

For example, WVA’s Annual Evaluation Review 2009 analyses completed programs funded by WVA. The report not only discusses program outcomes, but also explains the difficulties faced in undertaking the evaluations. In order to continually improve both the effectiveness of programs and the evaluation process, WVA are now testing hypotheses and building evidence to better understand the variables at work in its programs. It is gathering and analysing evidence from multiple programs, and across a number of elements (as outlined in Figure 6).

Once the evidence gathered is more comprehensive, WVA will be in a better position to understand which variables are important in driving specific program results and so should be monitored in future programs. Until WVA have more confidence in key program performance drivers, they will continue to report outcomes from the national evaluations and provide case study examples of the work undertaken.

The finance and reporting team is closely involved in both WVA’s operational sustainability activities and its response to humanitarian emergencies and the running of programs. When an emergency arises, this team has a significant role in determining the source of funds required to cover the likely cost of relief assistance.

All funds allocated or committed to WVA’s domestic and international projects must be approved by its
Field Allocations Committee. Finance personnel play a key role on this committee. This finance team also ensures that monies are available for drawdown by authorised program teams when required. Funding commitments can be 12 – 18 months in advance, which makes this a complex cash flow exercise.

In addition, the finance and reporting team monitors WVA’s ‘Donor Promise’ – that monies raised for specific communities are allocated to and spent in that community. This exercise is mostly manual and takes a significant amount of time. It requires detailed analysis of timesheets and costs to match against funds raised by location.

The CFO supports development of the refreshed strategy and management commitments, with focus on the budget process, resource allocation and determination of measures and targets. As the finance and reporting team sits across the whole organisation, it is in a good position to support performance management, data capture and ongoing reporting of financial and non-financial metrics and KPIs.

‘World Vision Australia is dedicated to accurate and truthful reporting because it means the public can better understand how their donations are being used to fight poverty. It also means better results for the poor.’

Tim Costello CEO

For full details of World Vision’s sustainability journey go to charteredaccountants.com.au/integratedreporting

Figure 6: Elements of evidenced based programming (adapted from Phil Davies, 2009)

Lessons learned

Governance and strategy
> Sustainability cannot be a ‘department over there’; it must be embedded into all operational processes and practices
> Organisations must ‘get their own house in order’, especially if they intend to advocate for change
> Understand sustainability in the context of your organisation and your strategy.

Leadership and employee engagement
> Drive accountability throughout the organisation to all employees by providing adequate training
> Recruit new skills to address new challenges, such as sustainability management.

Resources and alliances
> Build local capacity and capability in your overseas locations, and allow communities to participate
> Get a better understanding of the organisation’s impact on its communities through better engagement, and build local relationships.

Accounting and integrated reporting
> Adopt a framework for integrated reporting, but tailor it to fit your strategy and required outcomes, not the other way round
> Review various reporting frameworks, and sector supplements, and adapt one to suit
> Systemise sustainability performance reporting wherever possible; use the finance and reporting team to drive consistency in data management and reporting
> Manage the stewardship trade-offs; central expenditures are required from time to time for the longer-term efficiency and effectiveness of operations and program management.
‘Top 10’ ideas from the case studies

The five case studies cover a range of organisations – in terms of size, industry and governance structure – yet it is possible to see clear trends in their ideas about sustainable business practices and integrated reporting. Here, then, is a tentative ‘Top 10’ from the case studies.

<table>
<thead>
<tr>
<th>Governance and strategy</th>
<th>1. Determine what values your organisation really stands for, and develop your sustainable business strategy from these.</th>
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<tbody>
<tr>
<td></td>
<td>2. Don’t see sustainability as an ‘add on’, but rather embed it into core strategy and everything the organisation does.</td>
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<td></td>
<td>3. Sign up to respected global initiatives (e.g. UNGC) to help drive strategic and sustainable decisions.</td>
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<tr>
<th>Leadership and employee engagement</th>
<th>4. Have both a top-down and bottom-up approach – leadership committed to sustainability and rewarded for delivering on its sustainable business strategy combined with the enthusiasm, inclusion and ideas of employees.</th>
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<td></td>
<td>5. Focus at first on having some ‘quick wins’ (e.g. energy reduction, water saving) in implementing the sustainability strategy to capture Board, executive and employee imagination and then maintain the momentum. At the same time, be aware some initiatives will fail so don’t overcommit to one specific opportunity.</td>
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<tr>
<th>Resources and alliances</th>
<th>6. Examine your products, ingredients, suppliers and other elements of the supply chain. Ensure they meet your (and your customers) current and future sustainability standards.</th>
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<tr>
<td></td>
<td>7. Work with local communities to build local capacity and capabilities and to enhance the social aspect of your sustainable business strategy.</td>
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<tr>
<th>Accounting and integrated reporting</th>
<th>8. The reporting team must be involved in developing the sustainability strategy and vision, and especially in the identification of measurable outcomes and achievable sustainability targets.</th>
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<td></td>
<td>9. Be aware of trade-offs that may need to be made to achieve commercially sustainable outcomes, and advise management on balancing economic and sustainability requirements.</td>
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<tr>
<td></td>
<td>10. Minimise bureaucracy and reporting burden for the organisation by focusing on information and metrics that are material, relevant and aligned to strategy. Develop systems for data collection and aggregation for both internal and external reporting.</td>
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For more ideas see the ‘Lessons learned’ box in each case study, and for the extended case studies go to charteredaccountants.com.au/integratedreporting
Consider the financial risk of not being sustainable

Sustainability has moved far from the realms of ‘green activism’: it is now part of mainstream societal values and as such an accepted element of corporate strategy. Financial approaches to sustainability are moving from fear of incurring extra costs to serious consideration of the costs of not taking action. What is clear from the case studies in this document is that:

> Sustainability-related risk is not standalone anymore but central to strategy
> Each organisation is different in terms of its sustainable business risks and opportunities
> Sustainability can improve the financial bottom line – it is not a cost burden
> The reporting team needs to take a lead role in identifying and addressing sustainability-related risk and opportunity.

Sustainability-related risk is not standalone anymore but central to strategy

It could be said that the organisations surveyed in this paper are ‘pushing’ sustainable business practices from within – taking action to build sustainable business thinking into all their activities, and presenting their broad financial and ESG performance to their stakeholders. But they are just as much reacting to the ‘market pull’ of their key stakeholders.

This is all taking place in a context of increasing international pressure. International initiatives such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC) are providing frameworks for guidance and action.

The case studies demonstrate how these organisations have put sustainability ‘front and centre’ in terms of corporate strategy. In all cases, the organisations have embedded sustainability into their corporate values, and used this to build a workable sustainability approach.

Each organisation is different in terms of its sustainable business risks and opportunities

The case studies illustrate a number of different approaches to embedding sustainable business thinking and mitigating sustainability risks within their organisations, including:

> **Blackmores** is addressing the risk of losing customers by taking steps to ensure its products are ‘natural’ at all stages of the supply chain
> **Intrepid Travel** has addressed the risk of backlash from authorities in countries in which it operates by moving from employing ‘Aussie ex-pats’ as tour group leaders to employing locals
> **NIWA** has addressed risks such as reputational damage, fines and staff action by pursuing major safety improvements in its intrinsically dangerous areas of operation

> **Woolworths** has turned a cost (removal of what formerly was considered ‘waste’) into a brand value activity by becoming involved in programs such as Food Rescue and Foodbank

> **World Vision Australia** is working to reduce climate change (and so reduce the disasters and land loss impacting on the global poor) by focusing on governmental policy change.

Beyond the organisations themselves, there are external factors to consider – markets, geography, strategy, risk appetite, financial and other resources – as it is these that drive internal strategy and actions. Organisations that think longer term and consider global mega-trends as part of this exercise will be better positioned to plan effectively for change, maximise opportunities and mitigate issues or losses.

The point here for the accounting and reporting team is that, while you can learn from your peers in other organisations, the sustainability solution for your organisation will be unique, growing out of your organisation’s particular situation. Assessing and acting on sustainability risk will vary according to your organisation’s size, industry, products, clients, values and branding – as well as the external factors mentioned above.

Sustainability can improve the financial bottom line – it is not a cost burden

Climate change has generated considerable debate – from those advocating action to those denying a problem exists – but from a business perspective a pragmatic approach is more useful. Rather than seeing sustainable business practices as a burden, it is much more productive to see them as a business opportunity and ‘risk reducer’.

From a financial point of view, sustainability can not only lower potential risk but considerably improve the financial bottom line, as the case studies again illustrate:

> **Blackmores’** total return over the last 10 years (to March 2010) has been 566.2%, all during a time in which the company has taken major steps to improve the sustainability of its products and supplier network; also, its 5-Star head office was earnings accretive after only 18 months (budget 3 years)

> **Intrepid Travel** has achieved overall customer ratings of 4.67 out of 5, with over 95% of customers saying they would consider another Intrepid trip; central to this response is Intrepid’s consistent demonstration of its core Responsible Travel philosophy (e.g. carbon offsetting of customers’ plane flights)
NIWA has managed to cut the fuel usage of its research vessels by 30% by reducing cruising speeds by 2 knots. It measured the benefit of lowering speeds even further, but found that doing so negatively impacted on the amount of research that could be done; in this way the optimum speed using current technology was determined.

Woolworths has embarked on a $63 million learning and development program, investing in the potential of its 188,000 strong workforce; it is confident this will pay back far more than the initial cost, as motivated staff are a highly valuable asset in retailing.

World Vision Australia has built sustainability considerations (e.g. ongoing support for local communities) into its core fundraising avenue – child sponsorship.

‘Blackmores’ total return over the last 10 years (to March 2010) has been 566.2%.’

Accounting and reporting needs to take a lead role in identifying and addressing sustainability-related risk and opportunity

The role of the accounting and reporting team in integrating sustainability into business practices is crucial. Sustainability-related projects – like all initiatives within an organisation – need to undergo rigorous investment analysis and must be shown to be commercially viable. Only in this way can worthwhile sustainability initiatives gain traction in the business community. This task has several elements:

- Costing existing and proposed sustainability programs in a reliable way
- Assessing and advising on ‘trade-offs’ that may need to be made (e.g. NIWA’s acquisition of a super-computer despite increased energy usage)
- Becoming involved in sustainability-related teams (e.g. Woolworths’ Sustainability Executive Committee or NIWA’s Environmental Responsibility Committee)
- Driving effective data collection on sustainability and incorporating this into integrated reporting (see next section of the report).

Organisations are looking for leadership and reliable data on their sustainable business activities. The accounting and reporting department would do well to view sustainability not as a cost or burden, but as an important input to effective decision making. The CFO can make a major contribution by providing financial know-how and rigour in the identification, management and reporting of both key financial and sustainability business information.
Integrating sustainability into business practices: a case study approach

Adopt integrated reporting

Integrated reporting is about combining financial information (as in ‘traditional’ annual reports) and non-financial information (e.g. sustainability performance metrics) so that investors and other stakeholders can assess the underlying health of the organisation.

An integrated report looks beyond the traditional timeframe and scope of financial reports by addressing the wider and longer-term consequences of business decisions and by making clear the link between financial and non-financial value. The framework aims to provide users with a better understanding of an organisation’s key strategic value drivers, its business model, its risks and opportunities as well as the health of its resources and relationships to drive strategy over the short, medium and long term. An integrated report demonstrates the links between an organisation’s strategy, governance and business model.

There is a lot of interest in integrated reporting. As seen in some of the case studies there are organisations in Australia beginning to integrate their ESG information with their financial information into their annual reports. Integrated reporting provides an opportunity for an organisation to be transparent with its stakeholders and to demonstrate the wider impact of its work. One issue highlighted by the GFC was the failure of traditional financial reporting as a tool to identify fundamental business risk.

Global initiatives

Integrated reporting took a significant step forward at the GRI Global Conference in Amsterdam in May 2010, where some 1,200 global participants expressed broad support for two specific propositions:

- By 2015, all large and medium-sized companies in OECD countries and large emerging economies should be required to report on their ESG performance, and if they do not, to explain why
- By 2020, there should be a generally accepted and applied international standard which would effectively integrate financial and ESG reporting for all organisations.

Following the conference, the GRI announced, jointly with HRH The Prince of Wales’ Accounting for Sustainability (A4S) Project, the establishment of the International Integrated Reporting Committee (IIRC). The Steering Committee of the IIRC brings together heads of major investment houses, global corporations, regulators, standard setters, stock exchanges, sustainability organisations, accounting firms and other experts (i.e. GRI, A4S, UN Global Compact). The Steering Committee has a clear mandate and a number of active working groups. The mission of the IIRC is:

‘To create a globally accepted Integrated Reporting Framework which brings together financial, environmental, social and governance (ESG) information in a clear, concise, consistent and comparable format. The aim is to help with the development of more comprehensive and comprehensible information about organisations, prospective as well as retrospective, to support transition to a more sustainable global economy.’

The IIRC’s objectives for 2011 include releasing a draft business case, guiding principles and integrated reporting framework for public discussion by June 2011. A proposals paper and discussion document summarising the outcomes of the public consultation will then be presented to the G20 Finance Ministers in October 2011 for consideration and action. More details are available on the IIRC website (theiirc.org).

As noted earlier in this paper, the King Code of Governance for South Africa 2009 (King III) requires all listed South African companies to report on an integrated basis from 31 March 2011, or explain why not. The Code states that:

‘Current incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organise themselves.’

Professor King goes on to explain that:

‘Underpinning this focus (on integrated reporting) is a strong appreciation that the success of organisations is inextricably linked with three independent sub-systems – society, the environment and the global economy.’

The Discussion Paper provides guidance for the preparation of an integrated report, which is being further developed by the IIRC. It also recommends that the Audit Committee evaluates and approves the sustainability disclosures, and engages an external auditor to provide assurance over the non-financial as well as the financial disclosures.

Another important initiative is the World Intellectual Capital Initiative (WICI), founded in 2007 by private and public organisations in Japan, Europe and the US. The work of the WICI is at a level below the IIRC in that it seeks to establish a comprehensive business reporting framework which
explains the whole picture of corporate management of intellectual capital and other non-financial assets to create value and linked to financial performance.

With the support of key corporates, analysts and investors in certain sectors, the WICI has developed sector-specific KPIs, together with appropriate XBRL reporting taxonomies (see Figure 7), for the pharmaceutical, electronic devices, automotive, software and telecommunications industries. Work is still progressing in the resources sectors. WICI is seeking to facilitate consistent and relevant reporting at the sector level, using technology to deliver structured disclosure elements that can be utilised by various users. WICI is now closely aligned and working with the IIRC on the overarching framework.

Figure 7: XBRL – an aid to integrated reporting
The use of XBRL (eXtensible Business Reporting Language) for regulatory filings is growing rapidly in many parts of the world, including the US, UK, the Netherlands, China, Japan and Australia. Once implemented, it can drive significant enhancements in disclosure transparency (e.g. more accessible and reusable), compliance and analytical processes and controls. It can also reduce cost.

The diagram below demonstrates how data from various underlying systems is prepared and presented using a prescribed taxonomy for downloading by various internal and external users.

Technology – driving move from report ‘push’ to dataset ‘pull’
Future of reporting using XBRL

Source: The Institute of Chartered Accountants in Australia
**Australian initiatives**

The Institute of Chartered Accountants in Australia has been advocating a move towards a more integrated style of report for several years. In November 2008, the Institute released a paper *Broad Based Business Reporting: The Complete Reporting Tool* ([charteredaccountants.com.au/integratedreporting](http://charteredaccountants.com.au/integratedreporting))

The paper recommends that stakeholders require financial and non-financial performance information properly aligned to strategy in order to build the models from which they make their varying decisions.

More recently the Business Reporting Leaders Forum (BRLF) has been established by the Society for Knowledge Economics (SKE). The BRLF is educating its stakeholders about global developments in integrated reporting and encouraging Australian collaboration and participation in the debate both nationally and internationally.

**Potential roadblocks**

The case studies in this document provide many positive suggestions for achieving integrated reporting. However, a few of the companies surveyed expressed some reservations about adopting it – at least in the short term.

Blackmores’ 2010 Annual Report is integrated in that it includes a good overview of Blackmores’ performance financially, environmentally and socially against its key strategic planks. Throughout the report there are also performance statistics and qualitative stories; however, there are no targets to assess performance against. Blackmores intends to enhance the 2011 Annual Report to report more directly on performance against its strategic commitments and outcomes.

Woolworths sees itself as ahead of its competition in the Australian retail sector in terms of reporting, and notes there are only a few European retailers who produce more comprehensive sustainability reports. Yet Woolworths feels it is not yet ready to fully integrate the core financial report with the sustainability report, as it is only half way through the process of developing a GRI-compliant sustainability report and KPIs. Woolworths has stated that is likely to move to a fully integrated report once a framework has been developed for the retail sector, and consistently applied definitions for sector-specific KPIs have been determined.

World Vision Australia pointed out an interesting problem – that reporting can get ahead of actual performance. For example, WVA’s 2009 Annual Report was integrated in that it provided financial, environmental, social and governance performance information. Yet WVA felt that the integration of these elements may well have been a little ahead of the integration occurring in its current operational systems and processes. WVA is alert to this issue and is using its reporting to highlight gaps for improvement in its operations.

NIWA found that producing a full sustainability report was not only costly but it focussed on management of the wrong metrics. They have narrowed their reporting in order to produce a more strategically aligned report for 2012.

**Models to follow**

The IIRC are utilising experts from around the globe in order to take the best of the work to date to develop a set of principles, business case and framework for a new integrated reporting framework.

As noted above, in 2010 the GRI and A4S announced the formation of the IIRC, whose remit is to create a globally accepted framework for integrated reporting and accounting. A4S has developed tools to assist organisations in integrating sustainability into decision-making. Several companies, including HSBC, Aviva, EDF Energy and BT, have used the framework and tools to develop pilot integrated reports. The Institute utilised the connected reporting framework developed by A4S as its template for presenting the information under the Broad Based Business Reporting concept.

‘We have declared how we will transform EDF Energy into a more sustainable business and our actions will be a major contribution to achieving the UK’s carbon reduction targets. However it is not enough to make pledges – you have to deliver. By putting our work in this (sustainability) area through the same rigorous accounting process as we would our other more traditional business activities, we will see where we are meeting our targets, and where we need to do more work.’

*Vincent de Rivaz, Chief Executive, EDF Energy*

**Taking action**

This paper has aimed to clear away some of the clouds surrounding the issue of sustainability in business – by defining what it is, by showing how five companies have approached it as not just an add-on to their business but as a core part of their strategy and business model, and by providing some clear steps and guidance that can be followed. Business leaders need to be ahead of the game on this issue and the CFO has a critical role in helping to drive the change required. With the information provided here we hope you will be among those who take effective action.
# Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>A4S</td>
<td>Accounting for Sustainability</td>
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<tr>
<td>ACSI</td>
<td>Australian Council of Super Investors</td>
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<td>ACSI</td>
<td>Australian Securities and Investments Commission</td>
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<td>ASX</td>
<td>Australian Stock Exchange</td>
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<td>BCA</td>
<td>Business Council of Australia</td>
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<td>BRLF</td>
<td>Business Reporting Leaders Forum</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>CRI</td>
<td>Crown Research Institute</td>
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<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
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<tr>
<td>ESG</td>
<td>Environmental, social and governance</td>
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<td>G100</td>
<td>Group of 100</td>
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<td>GAA</td>
<td>Global Accounting Alliance</td>
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<td>GFC</td>
<td>Global Financial Crisis</td>
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<td>GHG</td>
<td>Greenhouse gas</td>
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<td>GM</td>
<td>Genetically modified</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>H&amp;S</td>
<td>Health &amp; Safety</td>
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<td>IIRC</td>
<td>International Integrated Reporting Committee</td>
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<td>IP</td>
<td>Intellectual property</td>
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<td>IPO</td>
<td>Initial public offering</td>
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<tr>
<td>KPI</td>
<td>Key performance indicator</td>
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<td>NGO</td>
<td>Non-government organisation</td>
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<tr>
<td>NIWA</td>
<td>National Institute of Water &amp; Atmospheric Research</td>
</tr>
<tr>
<td>SEE</td>
<td>Social, economic and environmental</td>
</tr>
<tr>
<td>TBL</td>
<td>Triple bottom line</td>
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<tr>
<td>UNGC</td>
<td>United Nations Global Compact</td>
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<td>WICI</td>
<td>World Intellectual Capital Initiative</td>
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<td>WVA</td>
<td>World Vision Australia</td>
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<td>WVI</td>
<td>World Vision International</td>
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<tr>
<td>XBRL</td>
<td>eXtensible Business Reporting Language</td>
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