The Institute of Chartered Accountants in Australia

**Broad Based Business Reporting**

The complete reporting tool

# The new benchmark in business reporting

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The Institute of Chartered Accountants in Australia

## The Institute of Chartered Accountants in Australia

The Institute of Chartered Accountants in Australia (the Institute) is the professional body representing Chartered Accountants in Australia. Our reach extends to more than 60,500 of today's and tomorrow's business leaders, representing over 48,500 Chartered Accountants and 12,000 of Australia's best accounting graduates who are 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 119 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 Accountant brand. We also represent the interests of members to government, industry, academia and the general public by actively 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 approximately 750,000, 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**



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## Foreword from the Institute

The Institute of Chartered Accountants in Australia (the Institute) is pleased to release its latest leadership paper, *Broad Based Business Reporting*. This paper provides a pro-forma of key performance indicator (KPI) reporting as well as a starting point for discussion on possible KPIs for certain industries.

The Institute has been involved in projects around Broad Based Business Reporting (BBBR) for many years. Our efforts have been aimed at stimulating thought and debate regarding new directions in business performance reporting, communications and assurance, as well as providing in-depth reports on BBBR initiatives in Australia and internationally.

The Institute recognises the need for the accounting profession to lead in thinking and advocating evolving forms of reporting, as well as the value of these reports to business, investors and the public in general. The requirements for BBBR by business have intensified in line with the demand for greater accountability and insight into sustainability performance from the Government and the public in general.

I would like to acknowledge the contribution of the Institute's BBBR advisory panel to this paper and hope you find it thought provoking.

**Andrew Arkell**
President
Institute of Chartered Accountants in Australia

## Foreword from the Australasian Investor Relations Association

The Australasian Investor Relations Association is pleased to be associated with this publication, *Broad Based Business Reporting*. Investors are demanding a more two-way form of communication with businesses requiring capital and, in the absence of practical guidance, some businesses are finding it difficult to get that information internally. BBBR provides an opportunity for investors to get the information they need without significantly increasing the burden on businesses to report it. Reporting becomes a competitive advantage as businesses understand that superior reporting of performance becomes a key differentiator for winning capital at the right cost.

Shareholders, particularly large shareholders, including superannuation funds, are putting greater emphasis on environmental, social and governance (ESG) issues as part of their overall investment process. Those shareholders understand that winning capital at an acceptable cost demands that licences to operate be intact and that reputations are sound. BBBR encompasses ESG issues as part of reporting on strategic, operational and financial matters. At the end of the day, businesses, due to their important role in the community, stock market or economy, should consider all BBBR issues and how they report them.

**Ian Matheson**
CEO
Australasian Investor Relations Association



The Institute of Chartered Accountants in Australia

# Contents

1. Introduction .......... 6
2. Overview of Broad Based Business Reporting .......... 7
3. Key performance indicators .......... 9
4. How to incorporate non-financial KPIs into existing reporting .......... 10
5. Pro-forma reporting of KPIs .......... 11
6. Non-financial KPIs for a general office based service business .......... 16
7. Non-financial KPIs for the financial services industry (banking and insurance) .......... 17
8. Non-financial KPIs for extractive industries .......... 18
9. Assurance .......... 19
10. Why is BBBR important to Chartered Accountants? .......... 20

Appendices

- Appendix one – Key principles of non-financial KPIs .......... 21
- Appendix two – Reporting of non-financial KPIs .......... 22
- Appendix three – A summary of global regulations and guidance on reporting of strategy .......... 23
- Appendix four – Other reporting developments .......... 25
- Appendix five – Detailed KPI guidance – general office based service business .......... 26
- Appendix six – Detailed KPI guidance – financial services business .......... 28
- Appendix seven – Detailed KPI guidance – extractive industries .......... 32
- Appendix eight – Other ESG reporting initiatives .......... 36
- Appendix nine – References .......... 37

# 1. Introduction

Objective and relevant information on corporate activity is essential to the growth and sustenance of the capital markets. While some businesses use the existing reporting model to effectively communicate all corporate activity, not just their financial performance, there is clear scope for the majority of businesses to supplement reporting on financial performance with greater explanation of corporate strategy and the value drivers, and key performance indicators (KPIs) critical to understanding business success and prospects.

There are two important aspects of Broad Based Business Reporting (BBBR). First is its value proposition that businesses can benefit from clearly reporting on their strategy, their performance in implementing it, and insights about their performance prospects. Second is the requirement for business to manage limited resources effectively in delivering on strategy, and then clearly monitoring and reporting sustainable progress in achieving stated objectives. To fully realise the value proposition, such reporting must be communicated to key stakeholders such that they may:

> Obtain a better understanding of the strategy

> Build more aligned decision-making models about the business (eg. net present value and other financial models measuring and assessing performance in executing the strategy)

> Make more precise and forward looking capital allocation and other decisions regarding the business' performance and prospects.

As a start towards BBBR, in this paper we have included a pro-forma which provides a practical example of KPI reporting. To encourage broader business reporting beyond traditional financial KPIs, the Institute has provided as a first step some indicative KPIs for a general office based service business. Indicative KPIs have also been provided for two key industries playing a significant role in the Australian economy, namely financial services and extractive industries. The Institute is also working with the Energy Supply Association of Australia to develop appropriate 'standard' KPIs for the energy sector, which will be published in a supplementary report. A more immediate aim is for businesses to report those KPIs that best align to their strategy, can be managed when fluctuations occur, and can be linked to sustainable value and as such may be a competitive advantage.

Reporting on appropriate KPIs will enable key stakeholders to answer the question, what makes one business more deserving of capital than its capital competitors[1], both within and between industries?

– **Michael Bray,** Partner, Business Reporting and Communications, KPMG

The BBBR Advisory panel is not at this stage recommending a reporting framework, but rather provoking thought to raise awareness, stimulate interest and invite comments on the issues raised around BBBR and industry specific performance measures. The Institute also welcomes feedback from members as well as other industries on opportunities to assist in developing indicators for discussion in other sectors.

As an interim measure, the panel recommends more consistent reporting of current industry based indicators and their methods of calculation. The Institute encourages industries to consider the KPIs suggested in this paper and to modify them as appropriate in order to achieve a consensus across their industry. Businesses can also gain a new competitive advantage by developing a fit-for-purpose reporting strategy which is focused on securing capital according to merit.

1. The reference given is to capital. It could equally have been to other organisational performance rewards, such as reputations and licences to operate.

# 2. Overview of Broad Based Business Reporting

## What is Broad Based Business Reporting?

Broad Based Business Reporting (BBBR) is an enhanced reporting mechanism increasingly used by business to better meet the information needs of their key stakeholders. Users require insight into a business' chosen strategy for business management and value enhancement. They also require properly aligned financial and non-financial performance information in order to build the models from which they make their varying decisions.

BBBR is achieved through closer alignment of external reporting with internal management reporting. Businesses have limited resources to manage, develop and grow within their chosen markets to achieve their stated strategy. Current internal management reporting is often a more effective tool than external reporting for communicating performance in executing the business strategy, managing business risks and providing a more complete and relevant information set.

BBBR demonstrates how a business effectively manages and utilises its limited resources to deliver on its defined strategy. Analysis of this type of comprehensive reporting gives investors access to more relevant information, enabling comparisons between businesses within industries and between businesses in different industries, as well as enabling more informed capital allocation decisions.

> BBBR is focused on providing stakeholders with a much greater understanding of business performance.
>
> – **Erik Mather,** CEO of Regnan

For example, an awareness of material business drivers and risks is critical to managing effective long-term performance of the business. Collation and monitoring of risk information by management is important for good governance and future corporate performance. This same information is useful to investors and analysts to develop an understanding of the strategy and critical risk areas of the business from pursuing that strategy. Identification of these areas enables investors and analysts to assess the quality of governance and the risks inherent in the business and so make an informed assessment of the expected capital return.

## Why is BBBR useful?

Current reporting is dominated by measures of financial outcomes but increasing societal expectations around environmental, social and governance (ESG) responsibilities are applying pressure on businesses to report clearer information on a wider range of business activities. Additionally, there are pressures to report leading indicators of financial performance, which enable capital markets to build more forward looking financial models.

Public awareness of the importance of ESG information is evident. Graduates are asking about a business' ESG policy in interviews, employee retention is becoming increasingly important for many businesses, and consumers are taking their own actions to combat climate change by demanding carbon neutral goods and services. Environmental incidents are heavily fined and publicised, requiring costly repairs to damaged corporate reputations. Exchange indices such as the FTSE4Good and Dow Jones Sustainability Indices are influencing investors, as are the 'Principles for Responsible Investment' issued by the United Nations Environment Programme (UNEP) Finance Initiative. Locally, the forthcoming Australian Emissions Trading Scheme will put a real cost on carbon emissions, making efficiencies important to controlling costs within a business. In addition to these ESG reporting pressures, recent events on Wall Street have demonstrated the risks of a reliance on backward looking financial reporting. Capital markets live or die based on current business strategies and conditions.

BBBR responds to these pressures, encouraging reporting of ESG as well as strategic, operational and financial matters. While ESG and operational efficiency measurements are often referred to as non-financial measures, potentially inferring they have no financial impacts, an increasing number of investment professionals recognise that both ESG, as well as economic and forward looking financial issues, can affect the long-term performance of business. Surveys have shown that strategic matters and non-financial aspects of a business' operations such as their strategy to manage ESG factors can impact the business' reputation and, ultimately, performance.

> 59 per cent of investors ask for information about broader reporting such as ESG reporting.
>
> AIRA 2008 – the role and practice of investors' relations in Australian and New Zealand listed entities – supported by PricewaterhouseCoopers

Despite calls for regulation requiring businesses, specifically listed entities, to report on ESG factors, an increase in the number of businesses voluntarily reporting ESG information is likely to defer regulation in this area, as noted by the Parliamentary Joint Committee (PJC) report in June 2008 on shareholder engagement.

> Investors are increasingly pressing for ESG reporting and companies should respond to this demand accordingly. If companies cannot, by the end of the current decade, show that they have done this in a manner acceptable to shareholders then it is the view of the committee that the government should consider regulating in this area.[2]

## Australian research

In 2002, the Institute published a paper *New Directions in Business* (*Performance Reporting, Communications and Assurance*) written by Michael Bray, Partner, Business Reporting and Communications, KPMG, to stimulate thought and debate regarding new directions in business performance reporting, communications and assurance. The thinking in that paper applies as much today as it did in 2002.

The Institute also released three in-depth reports on existing BBBR initiatives in 2006. The reports were designed to help Australian businesses better understand extended reporting options. *Extended performance reporting: an overview of techniques* provided an overview of the major initiatives in extended performance reporting in Europe, US and the Asia-Pacific region. It focused on specific forms and techniques of extended performance reporting and summarised the major techniques. The second in the series, *Extended performance reporting: a review of empirical studies*, examined extended corporate reporting and its contribution to corporate value. It focused on two areas of reporting: first, corporate reporting on socially responsible and environmentally sustainable practices and second reporting on intangible assets such as intellectual capital. The third report, *GAAP-based financial reporting*, addressed criticisms about generally accepted accounting principles (GAAP), such as income, which businesses must report.

In 2005, the Australian Institute of Company Directors (AICD) together with Nick Ridehalgh, Lead Partner, Corporate Reporting and Communications, PricewaterhouseCoopers (PwC) launched an illustrative guide, *The Shareholder Friendly Report*, showing how to provide clear information about board and management performance. Written from a non-technical perspective, the Shareholder Friendly Report provided a comprehensive scorecard on a business' overall performance, including historic results and trends against key financial and non-financial strategies, as well as the business' outlook for the future.

## Developments in financial reporting

Since the 2002 *New Directions* publication, there have been significant developments in financial reporting which have broadened business reporting in Australia. The move to International Financial Reporting Standards (IFRS) in Australia has had a significant impact, and there are now additional disclosures in the notes to financial statements. To some extent, these developments enable capital markets players to build more precise and forward looking models. For example:

- AASB 7 *Financial Instruments: Disclosures* covers reporting requirements around strategies and performance in the use of financial instruments, including quantification of credit, liquidity and market risks and management of those risks
- AASB 101 *Presentation of Financial Statements* includes reporting about capital management and details about significant accounting judgments, estimates and assumptions
- AASB 136 *Impairment of Assets* includes reporting about impairments which have been suffered. The standard also requires disclosure in certain circumstances of assumptions made and sensitivities where no impairments have been suffered to date.

2. Parliamentary Joint Committee on Corporations and Financial Services *Better shareholders – Better company: shareholder engagement and participation in Australia* (June 2008).

# 3. Key performance indicators

An important aspect of BBBR is ascertaining whether businesses have a clear strategy in place for managing their limited resources and identifying key performance measures to track progress against their objectives. Appropriate KPIs help to provide clear and relevant information to users on the development, performance, position or prospects of the business.

Well designed KPIs also provide investors and analysts with relevant information from which they can build their decision-making models, assess comparable data on a business and enable benchmarking within an industry when the KPIs are used consistently. These models may then influence the investment appeal of the stock (for a listed company). Additionally, some research papers have indicated a link between the provision of information on the wider business, specifically ESG aspects, risks and a lower cost of capital.

> Investors are demanding the information and in the absence of guidance, some businesses find it difficult to know how to report that information.
>
> – **Ian Matheson, CEO, Australasian Investor Relations Association**

## Financial KPIs

Reported financial KPIs are often additional non-GAAP measures, as GAAP information is already provided within the financial statements. Examples of financial KPIs are return on equity, free cash flow, underlying profit, and earnings before interest, tax, depreciation and amortisation (EBITDA).

Financial KPIs are an integral part of BBBR, however they are also generally well reported by businesses, particularly when non-GAAP financial measures are properly reconciled back to the information included in the audited financial statements. Financial KPIs are therefore not part of the scope of this paper. We have not provided further detailed guidance in this area, other than suggesting businesses enhance reported financial KPIs by comparing them to forecast and peers, and reporting the ranges within which they are expected to be in the future if a stated strategy is well executed.

The Financial Services Institute of Australasia (Finsia) and the AICD have recently released a paper *Underlying profit* which is a discussion paper on the reporting of non-statutory financial information.

## Non-financial KPIs

The reporting of KPIs on strategy execution, operational, risk management and ESG performance is an area of increasing focus. To encourage wider reporting of such measures, sections six to eight of this report provide some indicative ESG KPIs and other non-financial indicators for a general office based service business, as well as for select key industries. These indicators have been determined through surveys of literature and consultation with relevant stakeholders.

If the reporting is to be beneficial to users, there needs to be some level of standardisation within an industry and agreement on the appropriate indicators and methods of calculation. We encourage industries to consider our suggested KPIs, modifying them as required in order to achieve a consensus across their industry. Our goal is for that industry to then collectively commit to reporting on their chosen KPIs. In some cases we expect that the industry as a whole may agree on core KPIs but then individual companies will select the most appropriate ones to report for their business from the agreed list.

The selection of KPIs measuring strategic success regarding performance drivers and business risks is more of a matter for individual businesses. This needs to balance the benefits of winning capital at an appropriate cost against the risks of providing commercially sensitive information to competitors.

Businesses may wish to experiment with 'blended' KPIs linking financial and non-financial KPIs. For example, it may be interesting for capital markets to know a business' past and planned financial investment in carbon pollution reduction activities, the benefits achieved (cost per tonne abated), and, potentially, benchmarks against other businesses.

Sections six to eight outline our proposed KPIs for the selected industries. Where applicable, we have referenced the KPIs to the Global Reporting Initiative (GRI) G3 guidelines and industry supplements. The GRI is one of the world's most widely used ESG reporting frameworks and sets out the principles and indicators that businesses can use to measure and report their economic, environmental, and social performance. The GRI framework includes 49 core and 30 additional indicators covering economic, environmental and social performance, as well as some industry supplements.

Information on the key principles for KPIs is included in Appendix one. For each indicator, the reporting should include: background and purpose, definition and method of calculation, including assumptions and data sources; and the compilation method, as well as clear presentation. We have provided additional guidance for reporting KPIs in Appendix two.

# 4. How to incorporate non-financial KPIs into existing reporting

KPIs can be incorporated into the existing review of operations and reporting on risk management processes and corporate governance as a first step. Narrative reporting often outlines the strategy of the business and changes therein. The challenge is to explain how the selected KPIs measure the appropriate performance drivers and risks associated with the strategy. It can also explain the impact of external factors on the strategy and risk profile, for example market turbulence. This reporting already falls within the scope of Australian reporting requirements under the Corporations Act 2001 and the ASX Corporate Governance Principles. Appendix three includes some more details on Australian and international reporting requirements and guidance, including the UK Business Review.

> In a survey of the top 100 companies in 16 countries in 2005, 23 per cent of Australian companies had separate Corporate Responsibility Reports or published the information as part of the annual report in 2005, compared with 80 per cent in Japan and 71 per cent in the UK.
> KPMG International Survey of Corporate Responsibility Reporting 2005

As shown in Figure one, this information can then be followed by details of the key focus areas for the business, which is more aligned to the UK Business Review. Often these areas will have been determined through the strategic and risk management process, the corporate governance framework, and engagement with stakeholders. The reporting can then explain the strategy for managing the key focus areas, related key performance measurements, actual performance of the business on these key metrics and, preferably, targets of the business.

> Enlightened businesses differentiate themselves by focusing on managing, monitoring and reporting the sustainability of their business model and performance through a revised focus on strategically aligned BBBR.
>
> – **Nick Ridehalgh,** Lead Partner, Corporate Reporting and Communications, PricewaterhouseCoopers

Reporting of KPIs should flow from existing reporting as businesses clearly articulate their strategy and key focus areas for the future and the related measures for managing their performance in these areas. Examples of the reporting for one key focus area as well as broader reporting of a number of focus areas are included in section five. We have based the reporting on formats included in the connected reporting framework produced by HRH Prince of Wales' Accounting for Sustainability Project and *Best Practice Environmental Social and Governance Reporting* published by PricewaterhouseCoopers.

Figure one **Overview of BBBR process**

**Goal – Improved resource allocation through BBBR**

↓

**Fair and balanced review of the business**

↓

**Details of the strategic and risk management process and governance**

↓

**Identification of key/material performance drivers, business risks and uncertainties**

As recommended under ASX Corporate Governance Principle 7 guidance, this should cover areas of the business including, but not restricted to:

| | | | | | |
|---|---|---|---|---|---|
| Operational | Environmental | Sustainability | Compliance | Strategic | Human capital management |
| Community | Ethical conduct | Reputation/brand | Technological | Customer | Product or service quality |
| Supply chain | Health and safety | Financial reporting | Social | Market related | |

↓

**BBBR – for each of the key/material areas identified**

| | | | | |
|---|---|---|---|---|
| Why it is a key/material performance driver for or risk to the business | The strategy to optimise the driver or manage the risk | Details, including definition, of the KPIs used to assess progress | Measurement of performance against baseline using those KPIs | Target performance and challenges in meeting the target |

# 5. Pro-forma reporting of KPIs

For the pro-forma included in this paper, we have used a theoretical business, Key Metric Enterprise, which is an office-based consultancy business with operations in all Australian state capitals and a branch office in Washington, United States.

We first considered one key focus area – human capital management – and have shown below how that could be reported.

## Strategy

At Key Metric Enterprise, we consider our talented staff to be our greatest asset and as a result we place a significant emphasis on recruiting and retaining quality people. To attract and retain the best talent in the industry, we have to continually demonstrate that Key Metric Enterprise is a good employer, committed to making all our people feel valued and providing them with career opportunities and quality training. We have addressed this in a number of ways, as outlined on our website.

## Key performance metrics

> Male/female ratio of staff

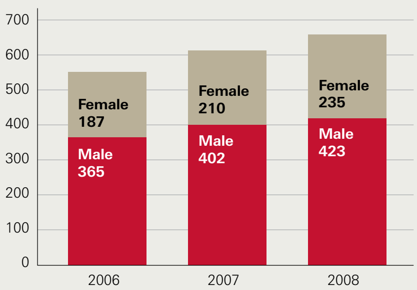
> Head count split between fee earners and non-fee earners

> Employee turnover.

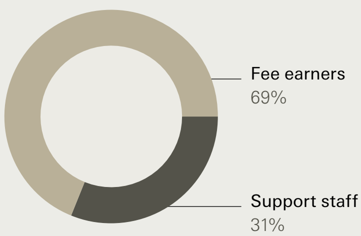
We measure employees at the reporting date as total employees plus supervised workers and onsite independent contractors employed on a regular basis. Employee turnover is based on the number of employees who leave the business voluntarily or due to dismissal, retirement or death in service.

## Performance

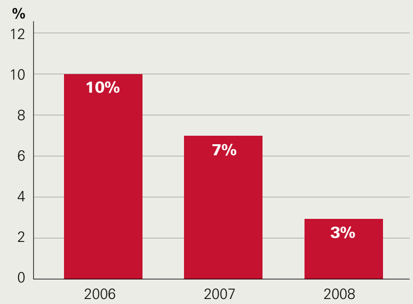
**Number of employees and male/female ratio of staff**




**Ratio of fee earners to support staff**




**Employee turnover**




## Targets and challenges

We are pleased by the continued improvement in our male/female staff ratio. However we have noticed that our staff turnover rate is now three per cent, below our minimum target of five per cent. We believe this reflects recent market turbulence and that, as a result, the competition for skilled employees has reduced.

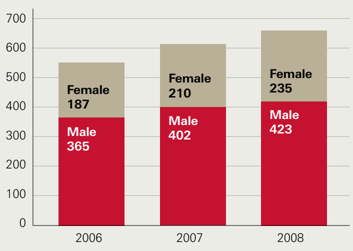
As a consultancy company, we value our talented employees but we wish to maintain a minimum level of turnover within the business to provide fresh ideas and different thinking. We will monitor this measure as well as the market conditions closely in the forthcoming months to determine what actions need to be taken, if any, to ensure continued innovation.

### *Key Metric Enterprises* – an example of broader reporting to encompass the key focus areas

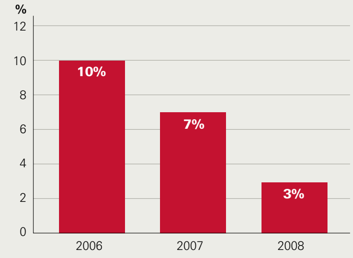
| Key risk | Strategy | Key performance metrics |
| --- | --- | --- |
| **Human capital** | We consider our talented staff to be our greatest asset and as a result we place a significant emphasis on recruiting and retaining quality people. To attract and retain the best talent in the industry, we have to continually demonstrate that Key Metric Enterprise is a good employer, committed to making all our people feel valued and providing them with career opportunities and quality training.<br>We have addressed this in a number of ways, as outlined on our website. | > Male/female ratio of staff<br>> Absentee days<br>> Proportion returning to work from parental leave<br>> Proportion of staff with agreed flexible arrangements (part-time or work from home)<br>> Head count split between fee earners and non-fee earners<br>> Employee turnover. |
| | We measure employees at the reporting date as total employees plus supervised workers and onsite independent contractors employed on a regular basis. Employee turnover is based on the number of employees who leave the business voluntarily or due to dismissal, retirement or death in service. | |
| **Customer** | Monitor our customer concentration and continue to drive improvements in customer service to improve satisfaction ratings.<br>Reducing customer concentration by expanding our customer base in conjunction with market share growth and increased brand awareness.<br>We have set a long-term target for this focus area. | > Customer concentration<br>> Customer satisfaction<br>> Customer turnover. |
| **Product** | We need to continue to evolve our products to meet the changing needs of the current environment. | > This is an area that we are currently looking to develop further. We have not yet identified appropriate measures for this area. |

## Performance

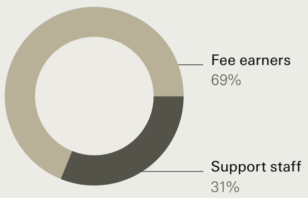
Number of employees and male/female ratio of staff




Employee turnover




Ratio of fee earners to support staff




| | Actual | | | Target |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2010 |
| Absentee days | 5.6 | 5.5 | 5.3 | 5.0 |
| Return to work after parental leave | 65% | 78% | 76% | 80% |
| Staff with flexible work arrangements | 25% | 30% | 36% | 40% |

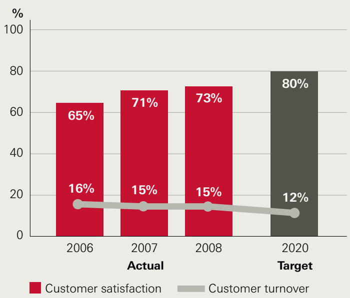
## Targets and challenges

We are pleased by the continued improvement in our male/female staff ratio. However, we have noticed that our staff turnover rate is now three per cent, below our minimum target of five per cent. We believe this reflects recent market turbulence and that, as a result, the competition for skilled employees has reduced.

As a consultancy company, we value our highly capable people and wish to keep staff turnover low. However, we do wish to maintain a minimum level of turnover to provide fresh ideas and different thinking. We will monitor this measure as well as the market conditions closely in the forthcoming months to determine what actions need to be taken, if any, to ensure continued innovation.

We will continue to work on improving our other metrics in order to reach our targets. Given we have a maximum and minimum target for staff turnover, we are monitoring the other related metrics closely in case they need to be revised.

Customer satisfaction and turnover




| | Actual | | | Target |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2020 |
| Number of customers for 75% revenue | 24 | 32 | 36 | 50 |

Customer satisfaction results continue to improve but remain below our target of 80 per cent. Additionally, customer turnover is above our target of 12 per cent. We will continue to improve customer satisfaction ratings, which will also favourably impact turnover. We are currently collating the feedback from our annual project evaluations to identify specific areas of improvement.

Customer concentration continues to be below target, although we are expecting an increase in our customer base through our brand awareness campaigns.

Identification of changes to existing products or new product offerings by the end of the next financial year, with implementation over the following three years.

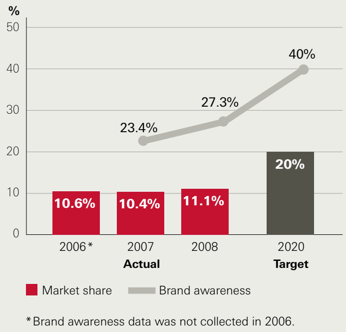
***Key Metric Enterprises*** continued overleaf >

## *Key Metric Enterprises* – an example of broader reporting to encompass the key focus areas (continued)

| Key risk | Strategy | Key performance metrics |
|---|---|---|
| **Reputation/ brand** | Increase our market share to become a leading provider of consulting services in Australia.<br>Increase brand awareness among potential clients as well as general public awareness.<br>Develop relationships with local communities.<br>We have set a long-term target for this focus area. | > Market share<br>> Brand awareness, front of mind in the business community<br>> Community donations. |
| **Environment** | Minimise energy use and use renewable energy options when available.<br>Reduce frequency of travel by more effective scheduling of meetings and increased use of teleconferencing facilities. Reduce costs through decreased paper usage.<br>Recycle waste and reduce overall waste from our offices. We are not yet able to measure our total waste and hence the proportion recycled at this stage but have the processes in place to begin measurement for the forth coming financial year. | > Greenhouse gas emissions as carbon dioxide equivalents $CO_2$-e<br>> Energy use and proportion of energy from renewable sources<br>> Percentage interstate and international meetings held by teleconference<br>> Paper usage per person. |
| **Financial** | Earnings before interest, tax, depreciation and amortisation (EBITDA) and earnings per share (EPS) growth are linked to the performance measures of the Board and key executives.<br>Cash flow continues to be a key focus especially in the current economic climate and minimising debt levels through effective cash management is important for cost control. We use debtor days as our key metric as this is the main item in working capital that we are able to influence, given the high proportion of employee expenses. | > EBITDA<br>> Earnings per share (EPS)<br>> Debtors' days are calculated using the average revenue for the last two months of the year to reflect changing sales patterns over the financial year. |

## Performance

Marketshare and brand awareness



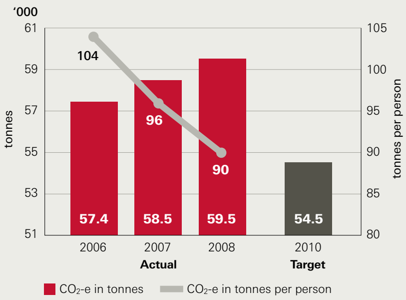

| | Actual | | |
|---|---|---|---|
| $'000 | 2006 | 2007 | 2008 |
| Community donations | 456 | 502 | 540 |

## Targets and challenges

Our market share has improved this measure and we are on track to achieve our target in 2020. In conjunction with improving brand awareness and expanding our customer base, we have recently launched our new brand and advertising campaign. We expect to see the results of this effort in the coming financial years.

Details of our community programmes and volunteer work as well as the new brand campaign, including our television advertisement, are included on our website.

Greenhouse gas emissions

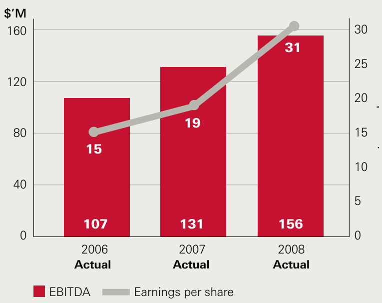



| | Actual | | | Target |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2010 |
| Electricity use MWh | 2,926 | 3,121 | 3,158 | 3,000 |
| Electricity use MWh per person | 5.3 | 5.1 | 4.8 | n/a |
| Renewable energy proportion | 6.3% | 7.1% | 7.7% | 10% |
| Proportion of meetings held teleconference | 35% | 50% | 55% | 60% |
| Paper sheets per person | 9,300 | 10,100 | 9,100 | 8,000 |

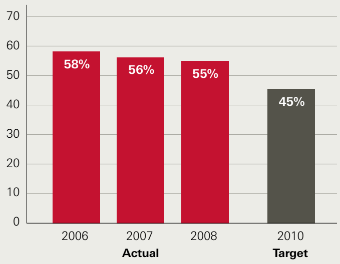
Our carbon footprint has increased due to recent expansion and the challenge is to continue to reduce our footprint as well as the emissions intensity. We will continue to avoid using energy as a first priority through teleconferences and improved energy efficient assets, and use offsets and renewable energy sources as a secondary measure. We are currently negotiating with our suppliers for renewable energy options. Further details of our energy reduction programme are on our website.

Paper usage has reduced significantly through our initiatives.

EBITDA and EPS




Debtor days




EBITDA and EPS growth are in line with forecasts, despite the current economic conditions. We have, however, revised our forecasts for the forthcoming financial year when we expect the impact of those conditions to be greater. We have already noticed a slight reduction in new projects towards the end of this financial year and in the first few months of the current financial period.

Debtors' days have improved over the last year but continue to be a concern, with operating cash flow growth significantly lower than the growth in EBITDA. Revised performance measures are in place for project managers to incorporate improved cash collection to reduce our working capital requirement.



The Institute of Chartered Accountants in Australia

# 6. Non-financial KPIs for a general office based service business

The following table includes non-financial KPIs which might be considered for a general office based service business. Businesses should consider which of these KPIs best reflect measurement of the critical areas within their operations.

| Area | Measurement | GRI reference |
|---|---|---|
| **Health and safety** | 1. Rates of injury, occupational disease, lost days and number of fatalities | LA7 – core |
| **Customer** | 2. Customer satisfaction | PR5 – additional |
| **Supply chain management** | 3. Initiatives to mitigate environmental impacts of products and services | EN26 – core |
| | 4. Health and safety impacts assessed in life cycle of products and services | PR1 – core |
| **Environment** | 5. Direct and indirect energy consumption by source and also amount per person or $m^2$ (intensity) | EN3, 4 – core |
| | 6. GHG emissions by weight of $CO_2$-e and also amount per person or $m^2$ (intensity). Split by scope one, two and three. | EN16 – core |
| | 7. Paper used in tonnes and also amount per person (intensity). | EN1 – core |
| | 8. Total weight of waste by type – consider percentage of waste recycled or waste per person or $m^2$ (intensity). | EN22 – core |
| **Human capital management** | 9. Employees per category by major classification such as gender/age/ minority interest groups – consider positive changes year on year | LA13 – core |
| | 10. Pay differential between men and women at different levels | LA14 – core |
| | 11. Number and rate of employee turnover | LA2 – core |
| | 12. Average hours of training per year per employee by category | LA10 – core |
| | 13. Percentage of employees returning to work after maternity leave | n/a |
| | 14. Length of paid/unpaid parental leave provided | n/a |
| **Social** | 15. Community donations, monetary and volunteers | EC1 – core |

The reporting of non-financial KPIs should also include other KPIs relating to business efficiency and productivity which are relevant to the specific business and industry. For example, a retail store may report customer footfall in stores, and a manufacturing business may report length of operational downtime during the period.

Appendix five contains detailed guidance on the definitions, calculations, compilation methods and presentation of these KPIs.

# 7. Non-financial KPIs for the financial services industry (banking and insurance)

The following table includes non-financial KPIs which might be considered for the financial services industry. Businesses should consider which of these KPIs best reflect measurement of the critical areas within their operations. These also include references to the GRI Environmental and Social Financial Services supplements.

| Area | | Measurement | GRI reference |
|---|---|---|---|
| **Health and safety** | 1. | Rates of injury, occupational disease, lost days and number of fatalities | LA7 – core |
| **Customer** | 2. | Customer satisfaction and query resolution | PR5 – additional |
| | 3a. | Banking – percentage of loans to businesses with high social or environmental risks and to which the business' sustainability criteria have been applied | RB2, 3 – supplement |
| | 3b. | Insurance – initiatives to deal with indirect sustainability risks and their potential impact on future claims | EC2 – core |
| | 4. | Customer breakdown, region and type | INS2 – supplement |
| **Supply chain management** | 5. | Proportion and number of suppliers meeting business' own sustainability standards | SUP1 – supplement |
| **Environment** | 6. | Direct and indirect energy consumption by source (and also amount per person or $m^2$ (intensity) | EN3, 4 – core |
| | 7. | GHG emissions by weight of $CO_2$-e and also amount per person or $m^2$ (intensity). Split by scope one, two and three | EN16 – core |
| | 8. | Paper used in tonnes and also amount per person (intensity) | EN1 – core |
| | 9. | Total weight of waste by type – consider percentage of waste recycled or waste per person or $m^2$ (intensity) | EN22 – core |
| **Human capital management** | 10. | Employees per category by major classification such as gender/age/minority interest groups including total employees and proportion full time/part time | LA13 – core |
| | 11. | Employee satisfaction | INT3 – supplement |
| | 12. | Pay differential between men and women at different levels | LA14 – core |
| | 13. | Number and rate of employee turnover | LA2 – core |
| | 14. | Average hours of training per year per employee by category | LA10 – core |
| | 15. | Percentage of employees returning to work after maternity leave | n/a |
| | 16. | Length of paid/unpaid parental leave provided | n/a |
| **Social** | 17. | Community donations, monetary and volunteers | EC1 – Core |
| | 18a. | Banking – provision of financial literacy plan to local communities | SO1 – Core |
| | 18b. | Insurance – provision of products and services applying special ethical/sustainable criteria | INS4 – supplement |
| **Ethical conduct** | 19. | Asset management and socially responsible investment – percentage of socially responsible investment of total funds under management | AM1, 2, 3 – supplement |
| | 20. | Signatory to Equator Principles, UN Principles of Responsible Investment and/or UN Environment Programme Finance Initiative | n/a |

Appendix six contains detailed guidance on the definitions, calculations, compilation methods and presentation of these KPIs.

## 8. Non-financial KPIs for extractive industries

The following table includes non-financial KPIs which might be considered for extractive industries. Businesses should consider which of these KPIs best reflect measurement of the critical areas within their operations. These also include references to the GRI Mining supplement.

| Area | Measurement | GRI reference |
|---|---|---|
| **Health and safety** | 1. Rates of injury, occupational disease, lost days and number of fatalities | LA7 – core |
| **Environment** | 2. Direct and indirect energy consumption by source and also amount per tonne of product (intensity) | EN3, 4 – core |
| | 3. GHG emissions by weight of $CO_2$-e and also amount per tonne of product (intensity). Split by scope one, two and three | EN16 – core |
| | 4. Total weight of waste by type – consider percentage of waste recycled or waste per tonne of product (intensity) | EN22 – core |
| | 5. Area of land disturbed by operations and the area rehabilitated during the period | n/a |
| | 6. Other air emissions such as NO and SO by type and weight | EN20 – core |
| | 7. Volume of fresh water used and proportion of water recycled and also water use per tonne of product extracted (intensity) | EN8 – core<br>EN10 – additional |
| **Human capital management** | 8. Employees per category by major classification such as gender/age/ minority interest groups – look at positive changes year on year | LA13 – core |
| | 9. Number and rate of employee turnover | LA2 – core |
| **Social** | 10. Community donations, monetary and volunteers | EC1 – core |
| | 11. Percentage/number of sites with community relations plans and details of regular consultation with local community | SO1 – core |
| | 12. Number of official grievances from public | MM7 – supplement |
| **Compliance** | 13. Number of significant environmental incidents | EN23 – core |
| | 14. Value of fines for regulatory compliance/incidents and any other penalties imposed | EN28 – core |
| **Operational** | 15. Tonnes of product extracted, by type and location | n/a |

Appendix seven contains detailed guidance on the definitions, calculations, compilation methods and presentation of these KPIs.

## 9. Assurance

For the reporting of ESG and other non-financial KPIs to have credibility to users, there should be a level of assurance over the reporting. This can be achieved through the *Assurance Framework* and International Auditing Standard ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. Where the information is reported as part of the directors' report, it is subject to review by the external financial auditor to ensure the data is not misleading and is consistent with the rest of the financial statements.

> By aligning an assurance strategy with an integrated reporting strategy, it is possible to improve the balance of the performance reward equation and maximise the value of the business' investment in assurance.
>
> – ***New Directions in Business (Performance Reporting, Communications and Assurance)*** – Institute and Michael Bray, Partner, Business Reporting and Communications, KPMG (2002)

The *Assurance Framework* and ISAE 3000 permit either one of two levels of assurance to be provided:

> Reasonable assurance requires that the assurer collect sufficient appropriate evidence to reduce the engagement risk to an acceptably low level, enabling them to state in the assurance report that in their opinion the information is not materially misstated

> A limited assurance engagement provides a lower, but meaningful, level of assurance and involves reducing engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement. This permits the assurance provider to state that nothing has come to their attention which indicates that the information is materially misstated.

A group providing guidance on reporting and assurance for sustainability reports is the international not-for-profit business AccountAbility. Its assurance standard AA1000 AS, is widely used for sustainable development reporting engagements, especially by assurers from outside the auditing and assurance profession. AccountAbility has also recently released its *Guidance Note on the Principles of Materiality, Completeness and Responsiveness as they relate to the AA1000 Assurance Standard*.

The requirements of shareholders and other stakeholders should be considered when determining the appropriate level of assurance. The assurance report should also clearly indicate the reporting criteria that the information has been assured against. Information on ESG areas could be assured by businesses outside the financial auditing profession, however it is important that they meet similar criteria to financial auditors in their professional and ethical conduct, including independence. The Institute released a paper written by Professor Roger Simnett in May 2008 called *The Benefits of Assuring Carbon Emission Disclosures*. Although focused specifically on assuring carbon emissions, much of the information included in the discussion on assurance standards is also applicable to wider ESG reporting. The paper concludes that assurance by an independent expert increases the reliability and credibility and reduces the bias of such reporting.

## 10. Why is BBBR important to Chartered Accountants?

Accountants already collect, analyse and report financial information and data. These skills can be applied to reporting other information, such as BBBR, including ESG data. These skills are important so that ESG and other non-financial data are as credible and robust as reported financial data.

Accountants remain the principal custodian of corporate information and how that information is reported to users. They are best skilled to assist in ensuring internal controls are in place for collecting, compiling and reporting the appropriate data. They are also aware of the level of supporting documentation that is needed to provide adequate assurance over the data. However, the data required for reporting some material business risks and non-financial KPIs may be relatively new to them. There is a variety of internationally accepted guidance available to assist in measuring and reporting this type of data, and references to some of these are included in Appendix nine. There may also be the need to engage others within the business and potentially experts to assist in defining and collecting the data.

# Appendix one – Key principles of non-financial KPIs

The following principles were identified by the GRI for defining report content and quality.

| | |
|---|---|
| **Materiality/relevance** | The information should cover risks and indicators that would have a significant impact on the business or substantively influence the assessments and decisions of stakeholders. |
| **Stakeholder inclusiveness** | The business should identify its stakeholders and explain how it has responded to their reasonable expectations and interests. |
| **Sustainability context** | The reporting should present the wider sustainable development context as forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs. |
| **Completeness** | All material topics and indicators should be covered, within the defined boundary as well as ensuring completeness of the data collected. |
| **Balance/neutrality** | The information reported should provide a balanced assessment of performance, including presenting both positive and negative aspects. |
| **Comparability** | Information and issues should be selected, compiled and reported consistently. The reporting should enable users to analyse changes in the performance of the business over time. Where there has been a significant change to the business, such as an acquisition, historical data should be restated to enable comparability. The method of calculation and any changes to historical data should be clearly explained. |
| **Accuracy/true and fair** | The information presented should be sufficiently accurate and detailed to enable stakeholders to assess the performance of the business. |
| **Timeliness** | The information should be reported on a timely basis. Therefore, where the data is presented in the annual report it should reflect the same period as the financial data reported. |
| **Clarity** | The disclosures should be clear and understandable. |
| **Reliability** | The information and the process used to gather, record, compile, analyse and report should be in a manner which can be examined and tested in the same way as financial data. |

The current Australian Accounting Standards Board (AASB) Framework defines the four principle qualitative characteristics of financial reports as understandability (refer clarity above), relevance, reliability (including completeness and neutrality) and comparability. The framework also covers constraints such as timeliness and true and fair presentation, demonstrating clear similarities between the principles for reporting financial information as well as non-financial KPIs.

As best practice, the non-financial KPIs reported should also refer back to GRI G3 guidelines where applicable. We have provided relevant references for these KPIs.

# Appendix two – Reporting of non-financial KPIs

For each indicator, the reporting should include: background and purpose; definition and method of calculation, including assumptions and data sources; and the compilation method, as well as clear presentation.

### Background and purpose

For each segment indicator, we have provided some information on the purpose of reporting the specific indicator in Appendices five to seven. Where GRI indicators have been used, we have used their guidance on the relevance of each indicator. For example, EN16 – *GHG emissions by weight of $CO_2$-e* is relevant as many countries are introducing a cost for GHG emissions.

### Definition and method of calculation

For each KPI or for a group of KPIs, the reporting needs to include definitions of exactly what is being measured, what the parameters are, and what the link to the strategy is. For example, EN16 – *GHG emissions by weight of $CO_2$-e* reporting should explain that it includes the six Kyoto gases (and detail the relevant gas) and that they have been converted into $CO_2$-e by using the global warming potential (GWP) provided by the Intergovernmental Panel on Climate Change (IPCC).

We have provided standard accepted definitions and/or methods of calculation for a KPI where possible in Appendices five to seven. However, we encourage clear explanation of the calculation methods and definitions as this will impact the comparability of data between businesses. Each indicator should be calculated on an annual basis in line with the financial reporting period.

### Compilation method

For each KPI or a group of KPIs, it is important that the reporting explains how the data has been compiled. For example, when reporting information on employees, explain whether the numbers are an average for the year or at the reporting date. Do they include contractors and casual staff? How have employees in joint ventures (operations where joint control is exercised) and associates (operations where significant influence is exercised) been included?

The nature of some of these performance measures is such that the traditional financial consolidation principles may not be applicable. Businesses should report on operations they are responsible for and where there is reputational risk rather than solely those where they have legal ownership interest. As this may differ across industries and indicators, the report should clearly indicate the basis used and any variances to the financial reporting model. We have endeavoured to provide guidance on the standard compilation method for specific indicators where possible in Appendices five to seven. In some areas, the compilation method may be common across a number of indicators.

It is common when reporting on ESG areas to use an operational control basis. For example, the GRI recommends that, where a business has operational and financial control, they should incorporate the data into their reported KPIs. Where significant influence is exerted, the GRI recommends that the management approach should be reported, but performance need not be reported. Where a business exerts joint control, they should clearly indicate whether the performance of that business has been included at 100 per cent or the relevant proportion.

### Presentation

Each KPI should be presented showing the baseline number as well as the prior year and current year's information. The baseline number is the reference period that future performance is assessed against. For example, there may be a five year target to reduce carbon emissions by 20 per cent compared to the base year of 2004. Good practice is to also report the target for each indicator and discuss performance against that target.

If there has been a major restructure of the business such as a significant acquisition or disposal, the base line year and other previous periods should be restated/normalised to enable comparability with subsequent periods. Where this is necessary, the adjustments and calculation for the normalised number should be clearly reported.

The presentation may also include showing the total number split by business or geographical segments as appropriate. Presentation of the data in the form of ratios, graphs, and charts is also encouraged.

# Appendix three – A summary of global regulations and guidance on reporting of strategy

The following is not a comprehensive list, but provides some information on regulations and guidance for key jurisdictions.

### Australian regulations and guidance

The Corporations Act 2001 section 299A requires disclosure in the directors' report for listed companies of information to enable members to make an informed assessment of the operations of the entity, its financial position and its business strategies and prospects for future financial years. The report may omit material if it is likely to result in unreasonable prejudice, but the report must state that material is omitted.

The ASX Corporate Governance Council's revised principles include Principle 7: Recognise and manage risk which includes the following recommendations:

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to the board on whether those risks are being managed effectively. The board should disclose that management has reported to the board as to the effectiveness of the company's management of its material business risks.

The guidance indicates that business risks may include: operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks. The principles do not currently require reporting of the material business risks identified.

ASX Listing Rule 4.10.17 requires a review of operations and activities but is not specific on content. The Group of 100's *Guide to Review of Operations and Financial Condition* (April 2003) provides guidance as to the range and content of a Review of Operations, covering key areas such as business overview and strategy, review of operations, investment for future performance, review of financial conditions and corporate governance, and risk management. The focus of the G100 Guide is on analysis and interpretation of past and expected future performance, not simply a repetition of information in the financial statements. In May 2008, the Group of 100 in conjunction with Ernst & Young released a publication *Reporting to shareholders – A good practice guide*. The publication focuses on best practices in this area and a set of guidelines for the preparation of reports to shareholders and other users.

### The UK Business Review

In the United Kingdom, the revised Companies Act 2006 now includes a requirement under section 417 for a Business Review within the directors' report. The Business Review applies to all companies, except those defined as small by the legislation, is applicable for periods commencing on or after 1 October 2007, and must contain:

> A fair review of the company's business
> A description of the principal risks and uncertainties facing the company.

The review should be a balanced and comprehensive analysis of the development and performance of the company's business during the financial year and the position of the company's business at the end of that year consistent with the size and complexity of the business. Large companies must also report analysis using financial and other (including information relating to environmental and employee matters) KPIs to the extent necessary for an understanding of the development, performance or position of the company's business.

In addition, listed companies must also include:

> The main trends and factors likely to affect the future development, performance and position of the company's business
> Information about:
  – Environmental matters
  – The company's employees
  – Social and community issues
> Details and effectiveness of the related policies
> Information about persons with whom the company has contractual or other arrangements which are essential to the business of the company.

### OECD principles of corporate governance

The OECD (Organisation for Economic Co-operation and Development) published their *Principles of Corporate Governance* in 2004. Principle V Disclosure and Transparency, states that:

> The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

Part A6 Foreseeable risk factors, states the following:

> Users of financial information and market participants need information on reasonably foreseeable material risks that may include: risks that are specific to the industry or the geographical areas in which the company operates; dependence on commodities; financial market risks including interest rate or currency risk; risk related to derivatives and off-balance sheet transactions; and risks related to environmental liabilities. The Principles do not envision the disclosure of information in greater detail than is necessary to fully inform investors of the material and foreseeable risks of the enterprise. Disclosure of risk is most effective when it is tailored to the particular industry in question. Disclosure about the system for monitoring and managing risk is increasingly regarded as good practice.

Additionally, Part A7 Issues regarding employees and other stakeholders, covers key issues relevant to employees and other stakeholders that may materially affect the performance of the company. Reporting may include management/employee relations, and relations with other stakeholders such as creditors, suppliers, and local communities.

### US requirements

US Securities and Exchange Commission (SEC) registrants must provide a narrative explanation of the financial statements, known as the management discussion and analysis (MD&A) with their filings to the SEC. The SEC guidance indicates that the MD&A should include potential effects of known trends, commitments, events and uncertainties, providing investors and others with an accurate understanding of the company's current and prospective financial position and operating results. The SEC has extended 'Safe Harbour' provisions to cover forward-looking statements made in the MD&A. These provide that, in general, a company or director shall not be liable in any private action with respect to forward-looking statements.

The Institute of Chartered Accountants in England and Wales (ICAEW) released a briefing in 2006 titled *Narrative reporting in the UK and the US – which system works best?* This briefing provides evidence of a quantitative and qualitative comparison of narrative reporting in the UK and the US from a sample of 18 industry and size-matched companies (9 UK and 9 US) with year-ends in 1999/2000.

# Appendix four – Other reporting developments

In November 2006, the CEOs of the major six global accounting firms issued a paper titled *Global Capital Markets and the Global Economy – A vision from the CEOs of the International Audit Networks*. The paper highlighted that business is much more complex than it was in earlier times, with complicated contractual relationships and sophisticated financial instruments. It also indicated that with these changes in economic and business activity, there also have been major implications for the kinds of information investors will need from corporate reports to understand the complexity. The CEOs wrote:

> Over the longer run, experts agree that the current systems of reporting and auditing company information will need to change — toward the public release of more non-financial information (some or much of which may be industry-specific) customized to the user, and accessed far more frequently than is currently done. It is time, therefore, for all global capital markets stakeholders involved to launch a process that will lead to the development of a new business reporting model.

The American Institute of Certified Public Accountants (AICPA) together with Grant Thornton, Microsoft Corporation and PricewaterhouseCoopers have established the Enhanced Business Reporting (EBR) consortium. EBR is intended to improve the quality of information businesses provide so investors can make better decisions about a company's situation and prospects. The EBR consortium hopes to improve the quality, integrity and transparency of non-financial information. The consortium's taskforce has compiled 'Sample Enhanced Business Reports' that illustrate a range of enhanced business reporting (EBR) concepts. A key element of the project is to make information easier to use through the use of eXtensible Business Reporting Language (XBRL).

There are many awards in Australia and worldwide to recognise good reporting. For example, the Association of Chartered Certified Accountants (ACCA) have annual sustainability reporting awards and the 2007 winners for the Australia and New Zealand region included BHP Billiton, Boral, Transurban, VIC Super, Vodafone NZ, ANZ Banking Group, and Investa Property. PricewaterhouseCoopers' website at **www.corporatereporting.com** also includes examples of best practice reporting.

# Appendix five – Detailed KPI guidance – general office based service business

| Indicator | Background and purpose | Definition |
|---|---|---|
| **LA7 – Rates of injury, absenteeism and number of fatalities** | Measure of a business' duty of care to employees. Low injury and absentee rates are generally linked to positive trends in staff morale and productivity. | Total employees plus supervised workers (for example, casual staff) and on-site independent contractors (where businesses are responsible for their safety).<br>Injury rate – specify if minor first aid injuries are included. Lost time injuries are number of incidents resulting in at least one shift's absence. All injuries are all reportable incidents.<br>Absentee days are those when an employee is absent because of incapacity of any kind, but excludes approved leaves such as annual, parental and compassionate. |
| **PR5 – Customer satisfaction** | This is one measure of a business' sensitivity to its customer needs, which is essential for long-term success. | Customer satisfaction is normally measured via a surveyed sample of customers and would include those somewhat, mostly and very satisfied overall. |
| **EN26 – Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation** | Responsibility for product's life cycle, a more proactive approach to assessing and improving environmental impacts of products/services. | Materials – such as non-renewable/energy intensive/ toxic materials. Water – volumes used in production or during product use. Emissions in material manufacture or production. Effluents –water quality during production/ use. Noise of product. Waste – recycling/ toxic nature of product when finished in use. |
| **PR1 – Health and safety impacts assessed in life cycle of products and services** | May have direct impacts on business' reputation, legal and financial risk and market differentiation. | Cover all stages of product lifecycle including: concept development, research and development, certification, production, marketing, storage, supply, use and service, disposal, re-use and recycling. |
| **EN3 – Direct energy consumption** | Business' efforts to use energy efficiently and reduce reliance on sources with high GHG emissions. | Direct energy is also known as scope one. This is energy produced and consumed by the business directly from the resources. |
| **EN4 – Indirect energy consumption** | Business' efforts to use energy efficiently and reduce reliance on sources with high GHG emissions. | Indirect energy is also known as scope two. This is the purchase of energy in the form of electricity, heat etc. |
| **EN16 – Total direct and indirect GHG emissions by weight** | GHG emissions are the main cause of climate change and national and international reduction schemes are in place. Management by the business of its GHG emissions is important for compliance and possible cost implications of emissions trading scheme. | Include six Kyoto gases carbon dioxide, methane, nitrous oxide, perfluorocarbons hydrofluorocarbons and sulphur hexafluoride.<br>Direct (scope one) emissions are where the business burns the fuel to directly emit the gases into the air. Indirect (scope two) emissions arise where the business has created the demand for the energy which causes another business to burn the fuel to supply the energy.<br>$CO_2$-e is the carbon dioxide equivalent of all six GHGs, the weight of other gases multiplied by its global warming potential (GWP). |
| **EN1 – Materials used by weight or volume** | Business' efforts to conserve limited global resources and encourage efficiency of material use. | Identify types of materials used. |
| **EN22 – Total weight of waste by type and disposal method** | Reduced waste contributes to lower costs for materials and disposal. Additionally increases product efficiency. | Disposal methods include composting, re-use, recycling, recovery, incineration, landfill, deep well injection, on-site storage and other. |

The additional information for defining, calculating, compiling and presenting the KPIs has been drawn from sources including principally the GRI.

| Calculation method | Compilation method | Presentation |
|---|---|---|
| Lost Time Injury Frequency Rate = number of lost time injuries/ total hours worked in millions.<br>All Injury Frequency Rate = number injuries/ total hours worked in millions.<br>Average number of absentee days per employee or as a rate per million hours worked. | Provide a regional breakdown of information, include all employees where business has operational control. Where control is shared, specify how those employees have been treated or show separately. | Report Lost Time Injury Frequency Rate (LTIFR) and All Injury Frequency Rate (injuries per one million hours worked).<br>Report fatalities as an absolute number, not a rate.<br>Report system of rules applied in recording and reporting accident statistics.<br>Report absentee average/rate. |
| Results of surveys should be included, segregating major products/regions where relevant. | Results should be split by region and/or product group/service line. | Report on business wide practices in place to assess and maintain customer satisfaction, such as frequency of measuring, methodologies of surveys and mechanisms for feedback. |
| Report on material use, water use, emissions, effluents, noise and waste. Report quantitatively on mitigation of environmental impacts and explain underlying assumptions. | | Describe initiatives currently in progress for mitigating the impact on the environment and provide quantitative measures where possible. |
| Report percentage of significant product/ service categories which are assessed for compliance at each stage. | | Report on life cycle stages and impacts at each stage by product. Also report where the impact has not been measured for a stage. |
| Show gigajoules of energy consumed by energy source – renewable and non-renewable. | | In addition to the total gigajoules reported, an intensity is often included showing the use of the material per employee, per $m^2$ of office space or per tonne of product. |
| Show gigajoules of energy consumed by energy source – renewable and non-renewable. | | In addition to the total gigajoules reported, an intensity is often included showing the use of the material per employee, per $m^2$ of office space or per tonne of product. |
| Convert all emissions into $CO_2$-e and report total tonnes, separate direct and indirect and report a total. | Identify direct emissions from all sources owned or controlled by the business, including energy generation (EN3), combustion processes, physical/chemical processing, transportation, venting and fugitive emissions.<br>Identify all indirect emissions from the generation of purchased electricity/heat/steam (EN4). | Explain the conversion methodology and standard used.<br>Show emissions as sum of direct and indirect in tonnes of $CO_2$-e. |
| Report the weight or volume of each type of material used. | | In addition to the total weight/volume reported, an intensity is often included showing the use of the material per employee or per tonne of product. |
| Report weight of waste in tonnes by disposal method. Segregate hazardous and non-hazardous waste. | | Report waste in tonnes and also the intensity per person. The waste should be split by type and disposal method. |

Appendix five continued overleaf >

## Appendix five – Detailed KPI guidance – general office based service business (continued)

| Indicator | Background and purpose | Definition |
|---|---|---|
| **LA13 – Employees per category by major classification** | Quantitative measure of diversity within a business. | Categories of employment should be as per internal human resources department (for example, senior management) for each of the following: gender; minority groups; and age groups (<30, 30-50, >50). |
| **LA14 – Pay differentials between men and women at different levels** | Equal pay for work of equal value, but imbalance can often exist. | Basic salary is the minimum fixed amount paid to an employee, excludes bonuses, overtime, benefits and allowances. |
| **LA2 – Number and rate of employee turnover** | High turnover can indicate uncertainty and dissatisfaction among employees. May mean a loss of IP which can impact productivity. | Turnover = number of employees who leave the business voluntarily or due to dismissal, retirement or death in service.<br>Total employees as at end of reporting period. |
| **LA10 – Average hours of training per year per employee by category** | Maintaining and improving human capital is the key to organisational development. | Employee category – senior management, middle management, professional, technical, administrative, production, maintenance etc. |
| **Percentage of employees returning from maternity leave** | Retaining IP in staff following maternity leave is beneficial both to morale and cost. | Include the number of staff who applied for maternity leave as total and any who have returned to work during the year, on a full or part-time basis |
| **Length of paid/unpaid parental leave provided** | There is considerable current interest in this benefit and the government's review of the area. | Categories of employees would be male/female and also full/part time and casual. |
| **EC1 – Community donations (part of indicator)** | Donations demonstrate a business's contribution to the community. | Community investments including voluntary donations, funds investments, and infrastructure investments. |

# Appendix six – Detailed KPI guidance – financial services business

| Indicator | Background and purpose | Definition |
|---|---|---|
| **LA7 – Rates of injury, absenteeism and number of fatalities** | Measure of a business' duty of care to employees. Low injury and absentee rates are generally linked to positive trends in staff morale and productivity. | Total employees plus supervised workers (for example casual staff) and on-site independent contractors (where businesses are responsible for their safety).<br>Injury rate – specify if minor first aid injuries are included. Lost time injuries are the number of incidents resulting in at least one shift's absence. All injuries are all reportable incidents.<br>Absentee days are those when an employee is absent because of incapacity of any kind, but excludes approved leaves such as annual, parental and compassionate. |
| **PR5 – Customer satisfaction** | This is one measure of a business' sensitivity to its customer needs, which is essential for long-term success. | Customer satisfaction is normally measured via a surveyed sample of customers and would include those somewhat, mostly and very satisfied overall. |
| **RB2, 3 – Banking – percentage of loans to businesses with high social or environmental risks** | Application of sustainable practices and criteria to lending policy. | The recipient of the loan or the project the loan is to fund should be reviewed and the social and environmental risks of the customer/project should be rated against sustainability criteria. |
| **EC2 – Insurance – initiatives to deal with indirect sustainability risks and their potential impact on future claims.** | Climate change will present risks through environmental changes such as extreme weather and rising sea levels, this presents a risk for the insurance industry. | Risks posed by climate change could be:<br>> Risks due to physical changes<br>> Regulatory risks<br>> Opportunities for new technologies. |

The additional information for defining, calculating, compiling and presenting the KPIs has been drawn from sources including principally the GRI.

| Calculation method | Compilation method | Presentation |
|---|---|---|
| Report percentage of total employees for group and also percentage of these groups for governance bodies. For example Board of directors. | | Report employee split in percentages by major category. |
| Use employee gender split and categories from LA13. Use average basic salary for males/females in category. | | Report information as a ratio of basic salary of women to basic salary of men for each employee category (for example, senior management). |
| Total number of employees leaving in period and rate of employees leaving. | | Report total number of employees and break down information by gender, age group and region. |
| Total hours per employee category/total employees per category. | | Average hours of training per year per employee by category. |
| Number employees returned to work/ number applied for maternity leave at 100 per cent. | | Report percentage of staff returning from maternity leave. |
| Report the number of weeks of parental leave offered to different categories of employees and whether it is paid or not. | | Report number of weeks of leave provided, specifying paid and unpaid components and split by male/female, full and part time and if minimum service period is required. |
| Voluntary contributions and investment of funds in the broader community, includes donations. | Use financial statements as basis and report on an accruals basis. | Present goals, intended benefits, desired outcomes, how activities are identified and managed, and how performance and value for money is assessed. |

| Calculation method | Compilation method | Presentation |
|---|---|---|
| Lost Time Injury Frequency Rate = number of lost time injuries/total hours worked in millions.<br>All Injury Frequency Rate = number injuries/total hours worked in millions.<br>Average number of absentee days per employee or as a rate per million hours worked. | Provide a regional breakdown of information, include all employees where the business has operational control. Where control is shared, specify how those employees have been treated or show separately. | Report Lost Time Injury Frequency Rate (LTIFR) and All Injury Frequency Rate (injuries per one million hours worked).<br>Report fatalities as an absolute number, not a rate.<br>Report system of rules applied in recording and reporting accident statistics.<br>Report absentee average/rate. |
| Results of surveys should be included, segregating major products/regions where relevant. | Results should be split by region and/or product group/service line. | Report on business wide practices in place to assess and maintain customer satisfaction, such as frequency of measuring, methodologies of surveys and mechanisms for feedback. |
| Measure both the proportion of loans which are of high social or environmental risk and proportion of loans which the sustainability policy have been applied to. | | Also report whether business' sustainability criteria, for example Equator Principles have been applied to those loans. |
| Report on risks and opportunities which have financial implications and quantitative impact if estimated. | | Report details of initiatives including quantitative financial impact if known.<br>Also report risk areas identified but not yet mitigated. |

Appendix six continued overleaf >

## Appendix six – Detailed KPI guidance – financial services business (continued)

| Indicator | Background and purpose | Definition |
|---|---|---|
| **INS2 – Customer breakdown, regional and type** | Information on business' customer base. | Breakdown by region and type. For example residential, corporate. |
| **SUP1 – Proportion and number of suppliers meeting the business' own ESG standards** | Important issues are terms of employment, conditions, health and safety. | Focus on major suppliers, may change over time when in – or out sourcing relevant business processes. |
| **EN3 – Direct energy consumption** | Business' efforts to use energy efficiently and reduce reliance on sources with high GHG emissions. | Direct energy is also known as scope one. This is energy produced and consumed by the business directly from the resources. |
| **EN4 – Indirect energy consumption** | Business' efforts to use energy efficiently and reduce reliance on sources with high GHG emissions. | Indirect energy is also known as scope two. This is the purchase of energy in the form of electricity, heat etc. |
| **EN16 – Total direct and indirect GHG emissions by weight** | GHG emissions are the main cause of climate change, and national and international reduction schemes are in place. Management by the business of its GHG emissions is important for compliance and possible cost implications of emissions trading scheme. | Include six Kyoto gases carbon dioxide, methane, nitrous oxide, perfluorocarbons, hydrofluorocarbons and sulphur hexafluoride.<br>Direct (scope one) emissions are where the business burns the fuel to directly emit the gases into the air. Indirect (scope two) emissions arise where the business has created the demand for the energy which causes another business to burn the fuel to supply the energy.<br>$CO_2$-e is the carbon dioxide equivalent of all six GHGs, the weight of other gases multiplied by its global warming potential (GWP). |
| **EN1 – Materials used by weight or volume** | Business' efforts to conserve limited global resources and encourage efficiency of material use. | Identify key types of materials used. |
| **EN22 – Total weight of waste by type and disposal method** | Reduced waste contributes to lower costs for materials and disposal. Additionally increases product efficiency. | Disposal methods include composting, re-use, recycling, recovery, incineration, landfill, deep well injection, on-site storage and other. |
| **LA13 – Employees per category by major classification** | Quantitative measure of diversity within a business. | Categories of employment should be as per internal human resources department (for example senior management) for each of the following: gender; minority groups; age groups (<30, 30-50, >50); and casual, part time and full time. |
| **INT3 – Employee engagement** | This relates to higher morale, staff and knowledge retention and high productivity. | Cover job security, remuneration and benefits, work/life balance, training and development, internal communication culture, social performance towards society. |
| **LA14 – Pay differentials between men and women at different levels** | Equal pay for work of equal value, but imbalance can often exist. | Basic salary is the minimum fixed amount paid to an employee, excludes bonuses, overtime, benefits and allowances. |
| **LA2 – Number and rate of employee turnover** | High turnover can indicate uncertainty and dissatisfaction among employees. May mean loss of IP which can impact productivity. | Turnover = number of employees who leave business voluntarily or due to dismissal, retirement or death in service.<br>Total employees as at end of reporting period. |
| **LA10 – Average hours of training per year per employee by category** | Maintaining and improving human capital is the key to organisational development. | Employee category – senior management, middle management, professional, technical, administrative, production, maintenance etc. |
| **Percentage of employees returning from maternity leave** | Retaining IP in staff following maternity leave is beneficial both to morale and cost. | Include the number of staff applied for maternity leave as total and any who have returned to work during the year, on a full or part-time basis. |

The additional information for defining, calculating, compiling and presenting the KPIs has been drawn from sources including principally the GRI.

| Calculation method | Compilation method | Presentation |
|---|---|---|
| Report on customer base according to internal segments. | | Report proportion of customers by geographical segment and type. |
| Report number of suppliers who meet the policy and also those suppliers as a percentage of total suppliers. | | Report on policy and procedures to screen suppliers' social performance. |
| Show gigajoules of energy consumed by energy source – renewable and non-renewable. | | In addition to the total gigajoules reported, an intensity is often included showing the use of the material per employee, per $m^2$ of office space or per tonne of product. |
| Show gigajoules of energy consumed by energy source – renewable and non-renewable. | | In addition to the total gigajoules reported, an intensity is often included showing the use of the material per employee, per $m^2$ of office space or per tonne of product. |
| Convert all emissions into $CO_2$-e and report total tonnes, separate direct and indirect, and report a total. | Identify direct emissions from all sources owned or controlled by the business, including energy generation (EN3), combustion processes, physical/chemical processing, transportation, venting and fugitive emissions.<br>Identify all indirect emissions from the generation of purchased electricity/heat/steam (EN4). | Explain the conversion methodology and standard used.<br>Show emissions as sum of direct and indirect in tonnes of $CO_2$-e. Also show intensity as emissions by petajoule of energy produced. Report where purchased offsets have been used in the calculation. |
| Report the weight or volume of each type of material used. | | In addition to the total weight/volume reported, an intensity is often included showing the use of the material per employee or per tonne of product. |
| Report weight of waste in tonnes by disposal method. Segregate hazardous and non-hazardous waste. | | Report waste in tonnes and also the intensity per person. The waste should be split by type and disposal method. |
| Report percentage of total employees for group and also percentage of these groups for governance bodies. For example, Board of directors. | | Report employee split in percentages by major category. |
| Report number of employees surveyed, response proportion and whether any adjustments have been applied to results. | | Report on employee engagement results from survey. |
| Use employee gender split and categories from LA13. Use average basic salary for males/females in category. | | Report information as a ratio of basic salary of women to basic salary of men for each employee category (for example, senior management). |
| Total number of employees leaving in period and rate of employees leaving. | | Report total number of employees and break down information by gender, age group and region. |
| Total hours per employee category/total employees per category. | | Average hours of training per year per employee by category. |
| Number employees returned to work/ number applied for maternity leave at 100 per cent. | | Report percentage of staff returning from maternity leave. |

**Appendix six** continued overleaf >

### Appendix six – Detailed KPI guidance – financial services business (continued)

| Indicator | Background and purpose | Definition |
|---|---|---|
| **Length of paid/unpaid parental leave provided** | There is considerable current interest in this benefit and the government's review of the area. | Categories of employees would be male/female and also full/part time and casual. |
| **EC1 – Community donations (part of indicator)** | Donations demonstrate a business's contribution to the community. | Community investments including charitable gifts and donations, in-kind staff volunteering, in-kind foregone revenues and fees, community partnerships and management costs. |
| **SO1 – Nature, scope and effectiveness of any programs to assess and manage impacts of operations on communities** | Insufficient financial literacy can result in poor management by individuals and businesses of their financial resources, and inappropriate use of products and services. | Activities would include:<br>> Website<br>> Financial literacy publications<br>> Training courses<br>> Partnerships with other businesses. |
| **INS4 – Provision of products/services applying special ethical/sustainable criteria** | Insurance offers social benefit. | High social benefit may be provision of basic coverage which is not yet offered by the general market. For example in deprived/disadvantaged areas, life/health insurance for the disabled. |
| **AM1, 2, 3 – Asset management and socially responsible investment** | Decisions on where to invest funds are important and influence reputation of the investor. | May include responsible marketing, screening portfolios against certain criteria.<br>SRI – socially responsible investment. |
| **Signatory to Equator Principles, UN PRI and/or UN EPFI** | Global investment principles for responsible and ethical activities. | Principles of Responsible Investment issued by the UN Environment Programme Finance Initiative and the UN Global Compact. |

## Appendix seven – Detailed KPI guidance – extractive industries

| Indicator | Background and purpose | Definition |
|---|---|---|
| **LA7 – Rates of injury, occupational disease and number of fatalities** | Measure of a business' duty of care to employees. Low injury and absentee rates are generally linked to positive trends in staff morale and productivity. | Total employees plus supervised workers (for example, casual staff) and on-site independent contractors (where businesses are responsible for their safety).<br>Injury rate – specify if minor first aid injuries are included.<br>Lost time injuries are the number of incidents resulting in at least one shift's absence. All injuries are all reportable incidents.<br>Occupational diseases/illnesses are those caused as a direct result of the employee's occupation.<br>Absentee days are those when an employee is absent because of incapacity of any kind, but excludes approved leaves such as annual, parental and compassionate. |
| **EN3 – Direct energy consumption** | Business' efforts to use energy efficiently and reduce reliance on sources with high GHG emissions. | Direct energy is also known as scope one. This is energy produced and consumed by the business directly from the resources. |
| **EN4 – Indirect energy consumption** | Business' efforts to use energy efficiently and reduce reliance on sources with high GHG emissions. | Indirect energy is also known as scope two. This is the purchase of energy in the form of electricity, heat etc. |

The additional information for defining, calculating, compiling and presenting the KPIs has been drawn from sources including principally the GRI.

| Calculation method | Compilation method | Presentation |
|---|---|---|
| Report the number of weeks of parental leave offered to different categories of employees and whether it is paid or not. | | Report number of weeks of leave provided, specifying paid and unpaid components and split by male/female, full and part time, and if minimum service period is required. |
| Voluntary contributions and investment of funds in the broader community, includes donations. | Use financial statements as basis and report on an accruals basis. | Report goals, intended benefits, desired outcomes, how activities are identified and managed, and how performance and value for money is assessed. |
| This would explain the initiatives currently undertaken and ongoing. | | Identify initiatives and primary targets and report on main activities, targets and achievements. |
| Report on total amount and percentage of respective total cover. | | Report on products available and criteria applied to them, also show value of assets/sales under these criteria. |
| Total amount under SRI and proportion of SRI of the total funds under management. | | Provide some examples. |
| n/a | | Report which international initiatives the business is a member of or signatory to and when they joined/signed. |

| Calculation method | Compilation method | Presentation |
|---|---|---|
| Lost Time Injury Frequency Rate = number of lost time injuries/total hours worked in millions.<br>All Injury Frequency Rate = number injuries/total hours worked in millions.<br>Average number of absentee days per employee or as a rate per million hours worked. | Provide a regional breakdown of information, include all employees where business has operational control. Where control is shared, specify how those employees have been treated or show separately. | Report Lost Time Injury Frequency Rate (LTIFR) and All Injury Frequency Rate. Report fatalities and incidents of new occupational illness/disease as absolute numbers.<br>Businesses can also consider splitting all injuries into categories such as whether the injury required first aid, medical treatment etc. May also report number of hazards/near misses.<br>Report system of rules applied in recording and reporting accident statistics and how the business promotes safety culture and awareness. |
| Show gigajoules of energy consumed by energy source – renewable and non-renewable. | | In addition to the total gigajoules reported, an intensity is often included showing the use of the material per employee, per $m^2$ of office space or per tonne of product. |
| Show gigajoules of energy consumed by energy source – renewable and non-renewable. | | In addition to the total gigajoules reported, an intensity is often included showing the use of the material per employee, per $m^2$ of office space or per tonne of product. |

**Appendix seven** continued overleaf >

## Appendix seven – Detailed KPI guidance – extractive industries (continued)

| Indicator | Background and purpose | Definition |
|---|---|---|
| **EN16 – Total direct and indirect GHG emissions by weight** | GHG emissions are the main cause of climate change, and national and international reduction schemes are in place. Management by the business of its GHG emissions is important for compliance and possible cost implications of emissions trading scheme. | Include six Kyoto gases carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride.<br>Direct (scope one) emissions are where the business burns the fuel to directly emit the gases into the air. Indirect (scope two) emissions arise where the business has created the demand for the energy which causes another business to burn the fuel to supply the energy.<br>$CO_2$-e is the carbon dioxide equivalent of all six GHGs, the weight of other gases multiplied by its global warming potential (GWP). |
| **EN22 – Total weight of waste by type and disposal method** | Reduced waste contributes to lower costs for materials and disposal. Additionally increases product efficiency. | Disposal methods include composting, re-use, recycling, recovery, incineration, landfill, deep well injection, on-site storage and other. |
| **Area of land disturbed and rehabilitated** | Conserving bio-diversity of land used for extraction is important. | Land impacted/disturbed is that which is not longer in its natural/original state.<br>Rehabilitated land is land which has been restored to a state of equivalent biodiversity as its original state. |
| **EN20 – NOx, SOx and other significant air emissions by type and weight** | These pollutants can affect human and animal health as well as habitats. | Significant air emissions are regulated under international conventions or national laws/regulations, including those on environmental permits. |
| **EN8 – Total water withdrawal by source** | Clean freshwater is becoming a scarce resource and water consumption is important. | Include all water sources, surface, ground, rain, waste (from third party) and municipal water. |
| **EN10 – Percentage and volume of water recycled and reused** | Increase in reuse and recycling can reduce freshwater withdrawal. | Wastewater recycled into the same or different process or re-used at another facility. |
| **LA13 – Employees per category by major classification** | Quantitative measure of diversity within a business. | Categories of employment should be as per internal human resources department (for example, senior management) for each of the following: gender; minority groups; and age groups (<30, 30-50, >50). |
| **LA2 – Number and rate of employee turnover** | High turnover can indicate uncertainty and dissatisfaction among employees. May mean loss of IP which can impact productivity. | Turnover = number of employees who leave business voluntarily or due to dismissal, retirement or death in service. Total employees as at end of reporting period. |
| **EC1 – Community donations (part of indicator)** | Donations demonstrate a business' contribution to the community. | Community investments including voluntary donations, funds investments, infrastructure investments |
| **SO1 – Community impact assessment and management** | Measure of management of community impact at an individual level. | Should cover prior to entry, during operations and during exit process. |
| **MM7 – Significant incidents impacting communities** | Actual community impact is important to stakeholders and the management of that process. | |
| **EN23 – Number and volume of significant spills** | Spills can have significant negative impact on the environment and may indicate non-compliance with regulations, loss of materials, remediation costs and damage to reputation. | Significant spills are all those included in financial statements (due to liabilities arising) or recorded by reporting business. |
| **EN28 – Monetary value of significant fines and number of non-monetary sanctions** | Compliance by the business indicates management's ability to ensure operations conform to specified performance parameters. | Regulations concerning all environmental issues, such as emissions, effluents, waste, material use, energy, water and bio-diversity. |
| **Tonnes of product extracted, by type and location** | Information on operational performance of the business. | Segregate each type of product extracted and the key geographical locations of operations. |

The additional information for defining, calculating, compiling and presenting the KPIs has been drawn from sources including principally the GRI.

| Calculation method | Compilation method | Presentation |
|---|---|---|
| Convert all emissions into $CO_2$-e and report total tonnes, separate direct and indirect, and report a total. | Identify direct emissions from all sources owned or controlled by the business, including energy generation (EN3), combustion processes, physical/chemical processing, transportation, venting and fugitive emissions.<br>Identify all indirect emissions from the generation of purchased electricity/heat/steam (EN4). | Explain the conversion methodology and standard used.<br>Show emissions as sum of direct and indirect in tonnes of $CO_2$-e.<br>Also show intensity as emissions by petajoule of energy produced.<br>Report where purchased offsets have been used in the calculation. |
| Report weight of waste in tonnes by disposal method. Segregate hazardous and non-hazardous waste. | | Report waste in tonnes and also the intensity per tonne of product. The waste should be split by type and disposal method. |
| Identify area of land which has been impacted or disturbed by operations as well as area rehabilitated during the period. | | Report land area in hectares. |
| Report weight of air emissions for each type of pollutant including NOx, SOx. | | Indicate methodology used to calculate emissions. |
| Report water volume in $m^3$ per year by each of the five sources. | This includes cooling water withdrawn. | Report freshwater input in litres, specifying source. |
| Volume of recycled/re-used water as proportion of total water used. | Includes grey water. | Report total volume of water recycled/re-used by the business and as a percentage of total water used. |
| Report percentage total employees for group and also percentage of these groups for governance bodies. For example Board of directors. | | Report employee split in percentages by major category. |
| Total number of employees leaving in period and rate of employees leaving. | | Report total number of employees and break down information by gender, age group and region. |
| Voluntary contributions and investment of funds in the broader community, includes donations. | Use financial statements as basis and report on an accruals basis. | Present goals, intended benefits, desired outcomes, how activities are identified and managed and how performance and value for money is assessed. |
| Report number and proportion of operations the programme applies to. | | Also report if programs have been effective and provide feedback and analysis examples. |
| Provide number of significant incidents during reporting period. | | Also report on the grievance mechanisms used to resolve the incidents and their outcomes. |
| Report number of spills and total volume of significant spills. For each significant one, report location, volume, material and impacts. | | Report number of significant spills and volume of spill or classify number of spills into key categories for size/significance. |
| Report monetary value of significant fines, number of non-monetary sanctions, cases brought through dispute resolution mechanisms. | Business control is the relevant boundary. If the matter relates to joint venture or associate, then it is appropriate to state so. | If no matters of non-compliance, a statement to say this is needed. |
| Report volume/weight of that product extracted by key location during the financial periods. | | Report quantity of each product by key location. |

## Appendix eight – Other ESG reporting initiatives

There are a huge number of resources and initiatives for businesses wishing to expand their performance and reporting, especially in the areas of ESG reporting. We have highlighted a few of these initiatives below for businesses who wish to expand their ESG reporting further.

### Reporting

The GRI and Carbon Disclosure Project both maintain databases of businesses reporting using their guidance. The Corporate Responsibility Index is a voluntary assessment of a business' reporting of ESG matters. Additionally, HRH Prince of Wales' Accounting for Sustainability Project has produced a connected reporting framework.

### GRI

The GRI has pioneered the development of the world's most widely used ESG reporting frameworks and is committed to its continuous improvement and application worldwide. The GRI enables businesses to register their report and have it reviewed for compliance with their framework. These reports are then available to stakeholders globally who want to use the information.

The GRI framework sets out the principles and indicators that businesses can use to measure and report their economic, environmental and social performance. This is considered the global best practice reporting of corporate social responsibility and includes 49 core and 30 additional indicators covering economic, environmental and social performance. At the time of writing, nine Australian businesses have registered their report with the GRI during 2008.

### Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an independent not-for-profit business aiming to create a lasting relationship between shareholders and corporations regarding the implications for shareholder value and commercial operations presented by climate change.

CDP provides a coordinating secretariat for institutional investors with combined assets of over $57 trillion under management. On their behalf it seeks information on the business risks and opportunities presented by climate change and greenhouse gas emissions data from the world's largest businesses: 3000 in 2008. The CDP website is the largest repository of corporate greenhouse gas emissions data in the world. 72 per cent of the top 100 companies in the ASX answered the CDP6 questionnaire in 2008, however only 23 per cent of the second 100 companies in the ASX 200 responded.

### Corporate Responsibility Index

The Corporate Responsibility Index is a strategic management tool to enhance the capacity of businesses to develop, measure and communicate best practice in the field of corporate responsibility in Australia. It was developed by the UK charity Business in the Community and has been licensed in Australia to the St James Ethics Centre, working with the Sydney Morning Herald and The Age and supported by PricewaterhouseCoopers. Thirty four companies participated in the full 2007 index.

### Accounting for Sustainability

HRH Prince of Wales' Accounting for Sustainability project has been considering practical ways of helping both public and private businesses to embed and report on their sustainability. The project has created two tools to help in this task. The first is a website **www.sustainabilityatwork.org.uk** that provides guidance and examples of good practice for businesses to make decisions on sustainability. The second is a reporting framework which proposes a new way for a business to report its sustainability more clearly, concisely and comparably.

### Indices

The Dow Jones Sustainability Indices and FTSE4Good both have strict selection criteria of Corporate Social Responsibility (CSR) aspects for inclusion in their indices. Members of these indices must maintain high standards of CSR behaviour. Membership of the indices may give businesses access to investors who will only use these indices.

Launched in 1999, the Dow Jones Sustainability Indices are the first global indices tracking the financial performance of the leading sustainability-driven businesses worldwide. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks. The quality of a business' strategy and management and its performance in dealing with opportunities and risks deriving from economic, environmental and social developments can be quantified and used to identify and select leading businesses for investment purposes.

The benefits to businesses of being included in the FTSE4Good Index Series, and addressing environmental and social issues include: managing risk; reputation; cost savings; brand marketing; and 'licence to operate'. The FTSE4Good selection criteria have been designed to reflect a broad consensus on what constitutes good corporate responsibility practice globally. The criteria are designed to be challenging but achievable in order to encourage businesses to try to meet them. To be eligible, businesses must meet three prescribed standards:

> Working towards environmental sustainability
> Developing positive relationships with stakeholders
> Upholding and supporting universal human rights.

# Appendix nine – References



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|---|---|
| ***Connected Reporting Framework*** – Accounting for sustainability – HRH Prince of Wales' charities (2007) | www.accountingforsustainability.org |
| ***Underlying profit*** – The Financial Services Institute of Australasia (Finsia) and the Australian Institute of Company Directors (AICD) (2008) | www.companydirectors.com.au |
| ***Best Practice Environmental, Social and Governance (ESG) reporting*** – PricewaterhouseCoopers (2007) | www.pwc.com/au/corporatereporting |
| ***Generico Annual Report*** – Report Leadership Initiative (November 2006) | www.reportleadership.com |
| ***Sustainability Reporting, a guide*** – KPMG/The Group of 100 (May 2008) | www.group100.com.au |
| ***Reporting to Shareholders, a good practice guide*** – Ernst & Young/The Group of 100 (May 2008) | www.group100.com.au |
| ***Guide to Review of Operations and Financial Condition*** – The Group of 100 (April 2003) | www.group100.com.au |
| ***New Directions in Business (Performance Reporting, Communications and Assurance)*** – Institute of Chartered Accountants in Australia and Michael Bray, KPMG (2002) | www.charteredaccountants.com.au/leadership/reporting |
| ***The Benefits of Assuring Carbon Emissions*** – Institute of Chartered Accountants in Australia and Roger Simnett (2008) | www.charteredaccountants.com.au/leadership/audit |
| ***Principles for Responsible Investment*** – UNEP Finance Initiative | www.unpri.org |
| ***Better shareholders – Better company shareholder engagement and participation in Australia*** – Parliamentary Joint Committee on Corporations and Financial Services (June 2008) | www.aph.gov.au/Senate/committee/corporations_ctte/sharehold/report/index.htm |
| ***Corporate Governance Principles and Recommendations*** – ASX Corporate Governance Council | www.asx.com.au/supervision/governance/index.htm |
| **FTSE4Good Index** | www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp |
| **Dow Jones Sustainability Indices** | www.sustainability-indexes.com/ |
| ***Guidance on Corporate Responsibility Indicators in Annual Reports*** – United Nations Council Trade and Development | www.unctad.org/Templates/webflyer.asp?docid=9594&intItemID=2095&lang=1 |
| **Carbon Disclosure Project** | www.cdproject.net |
| **Corporate Responsibility Index** | www.corporate-responsibility.com.au |
| **ANZ sustainability reporting awards** – Association of Chartered Certified Accountants (ACCA) | http://australia.accaglobal.com/australia/publicinterest/sustainability |





The Institute of Chartered Accountants in Australia

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| **Department of Climate Change** | www.climatechange.gov.au |
| **World Business Council for Sustainable Development** | www.wbcsd.org |
| **Global warming potential (GWP)** – Intergovernmental Panel on Climate Change | www.ipcc.ch/# |
| **Greenhouse Gas (GHG) Protocol** | www.ghgprotocol.org |
| **Global Reporting Initiative (GRI)** | www.globalreporting.org/Home |
| **AccountAbility** | www.accountability21.net |
| ***Enhanced Business Reporting*** – American Institute Certified Public Accountants (AICPA) | www.ebr360.org |
| ***Narrative reporting in the UK and the US – which system works best? –*** ICAEW briefing (April 2006) | www.icaew.com/index.cfm/route/135368 |
| ***The Shareholder Friendly Report*** – AICD and PricewaterhouseCoopers (2005) | www.pwc.com/au/corporatereporting |
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# Acknowledgments

This Broad Based Business Reporting (BBBR) thought leadership paper has been prepared by the Institute in consultation with the Institute's BBBR Advisory Panel.

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| | |
|---|---|
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