EXECUTIVE SUMMARY

The Australian GRI Conference on Sustainability and Integrated Reporting

Innovate. Integrate. Collaborate.

26-28 March 2012 | Melbourne Australia
ABOUT THE GLOBAL REPORTING INITIATIVE (GRI)

The Global Reporting Initiative (GRI) produces a comprehensive Sustainability Reporting Framework that is widely used around the world, to enable greater organizational transparency. The Framework, including the Reporting Guidelines, sets out the Principles and Indicators organizations can use to report their economic, environmental, and social performance. GRI is committed to continuously improving and increasing the use of the Guidelines, which are freely available to the public.

ABOUT GRI’S FOCAL POINT AUSTRALIA

GRI and St James Ethics Centre entered into an agreement in October 2008 to establish a GRI Focal Point in Australia. The collaboration serves to strengthen the goals of both organizations – increasing the uptake of responsible business practice and making reporting economic, environmental and social performance standard practice. The Focal Point is funded by the Federal Government’s Treasury and CPA Australia, and hosted by St James Ethics Centre.

ABOUT THE CONFERENCE

The inaugural Australian GRI Conference on Sustainability and Integrated Reporting was hosted by GRI’s Focal Point Australia on 26-28 March 2012.

More than 250 participants from 11 countries representing local, state and federal government, business, investors, labour, professional service firms, academia and the not-for-profit sectors, expressed broad support for:

- the continuous innovation of reporting and reporting frameworks in the transition to a sustainable economy
- the adoption of a ‘report or explain why not’ approach to policy by government, regulators or stock exchanges

The Conference aimed to lead Australia and its region’s contribution to a sustainable global economy, where organizations manage their performance and impacts responsibly and report transparently. It was:

- the largest multi-stakeholder conference in the region to date focusing on sustainability and integrated reporting
- the first meeting of its size and composition in the region, lending broad support for the adoption of business transparency and accountability on issues of sustainability

This document provides an account of the Conference drawn from the views of speakers and the deliberations of delegates. The Conference Conversation was an important activity of the conference, providing an opportunity for delegates to shape the future of reporting. Actions identified by delegates are highlighted throughout this document, with a summary table on pages 10-11.

IN A NUTSHELL

- 25 SPEAKERS
- 75 SPEAKERS
- 7 PLenary SESSIONS
- 11 CONCURRient SESSIONS
- 1 CONFERENCE > 250+ DELEGATES > 11 COUNTRIES
- 12% ASX50
- 7 FISH BOWL
- 4 MASTER CLASSES
- 230+ TWEETS
- 210+ Wall EVENTS
- G4 Side Event
- C-Suite BYAST

THE ROLE OF REPORTING IN THE TRANSITION TO A SUSTAINABLE ECONOMY

Increasingly complex and pressing sustainability issues mean there is a greater need than ever for effective reporting to play its part in the transition towards a sustainable global economy. Corporations, stock exchanges, governments and other organizations are recognizing the value of integrating sustainability into core strategy and business practice, and adjusting their reporting accordingly.

As investors and other stakeholders increasingly demand disclosure on issues of sustainability, GRI’s report or explain campaign was a key highlight, in the lead up to the United Nations Conference on Sustainable Development – Rio+20. In this campaign, GRI is working with partners including the Corporate Sustainability Reporting Coalition, led by Aviva Investors, and the Green Economy Coalition to promote a global policy framework that requires companies to report their sustainability performance or explain why they do not.

The value created (or destroyed) by a company cannot be expressed by financial reports or sustainability reports alone. Reporting has to evolve further to enable companies to express the value they create to their stakeholders. While stakeholders all agree on the need for integrated thinking and integrated reporting in business, the internationally agreed definition and framework for integrated reporting have yet to be determined.

In 2010, GRI co-founded the International Integrated Reporting Council, which is now developing a definition and framework for integrated reporting, expected towards the end of 2013. The next generation of GRI’s Sustainability Reporting Guidelines, G4, which will be launched in May 2013, will align with international understanding and practices of integrated reporting.
Sustainability reporting and integrated reporting provide significant opportunities for innovation. As companies become accountable for their sustainability performance and integrate non-financial issues into their business strategy, innovation occurs across operations. Sustainability reporting gives a wider view of an organisation that financial reporting alone. Informed by key stakeholders, sustainability reporting helps organizations uncover key risks and areas for innovation.

GRI’s recently launched eXtensible Business Reporting Language (XBRL) Taxonomy provides a reporting language that can help computers talk back and forth. XBRL is a technology that will allow for innovation in reporting, and is already used extensively for financial communication between business and government in Australia. The taxonomy allows business to input data once, and the users of the information to draw out the data and interpret it with greater clarity for their needs. By automating the communications processes, the potential for miscommunication is reduced, improving efficiency and transparency in reporting.

The Australian Government is also investigating how XBRL can be used outside of financial reporting for submitting data on things like the Clean Energy Act and Energy Efficiency Opportunity.
INTEGRATE

Hundreds of companies have found value in experimenting with integrated reporting. Although an internationally agreed concept has not yet emerged, this experimental phase is a crucial one in building knowledge to help design the best integrated reporting process.

Integrated reporting should be inherently about strategy, about looking ahead, and about better connecting data to inform decision making. Integrated reporting could provide a bridge between management, investors and other stakeholders. It could help to break down internal silos and establish new conversations as finance and investment teams work with sustainability teams to understand the value created by all of them together. A reporting framework should help the company to think about their future, not just past and present, and how the company is creating value over the short, medium and long term.

The IIRC draft paper identified the investor as the primary audience. This might be because the IIRC sees integrated reporting as an evolution of financial reporting; the integration of non-financial information into current financial reports. It might also be because investors of all types would be more interested in integrated information when making decisions.

Delegates considered that the link between integrated reporting and a sustainable economy is the ability to measure the contribution companies make to building a sustainable future. They reflected that integrated reporting could be appropriate for all companies and not just listed companies, and thus the audience need not primarily be investors. However, they also thought it important that large institutional investors prove ESG consideration when making investment decisions, but this would not be achieved by just inserting some sustainability related information into current financial reports.

Integrated reporting requires integrated thinking. This is a journey for all those involved in reporting processes. Every company has to find its own fit with integrated reporting – this includes challenges like changing the integrating areas and reporting procedures.

- Establish a definition and framework for integrated reporting
- Ensure a balance of stakeholder representation across the IIRC
- Establish metrics that combine both financial and non-financial areas to demonstrate value in thinking
- Establish working groups that link GRI indicators and to financial performance
- Better educate stakeholders around demanding more ESG information from companies
- Investigate how companies currently engage with their investors, and how it might be improved/take a longer term view
- Better understand how to present this information in a way that is useful for investors

REPOR T QUALITY aND assUR aNCE

Increasingly companies are using assurance to build trust in their reports. AA1000 builds trust in stakeholder engagement processes, and ensures continuous improvement through its processes; IASAE3000 builds trust in the process of data collection and analysis. A hybrid model is needed that also more clearly emphasises what is assured in a report and what that actually means about the report.

Integrated reporting provides whole new challenges for assurance. Is it appropriate to combine existing assurance frameworks? Are the skills of current assurance providers sufficient, or will a new career path and framework develop specifically for the assurance of integrated reports?

- Undertake an industry analysis to investigate how prepared companies are for integrated reporting
- Peer learning - Collect feedback from organisations already trialling integrated reporting
- Conduct research to benchmark integrated reports and compare individual company’s approach to reporting against this
- Investigate a new assurance framework for integrated reporting

IN THE HOTSEAT:
ERNST LIGTERINGEN AND DR. SIMON LONGSTAFF

Will integrated reporting in fact replace GRI?

No, that is not the intention. The IIRC will develop high-level guidance to the framework but we still need a standard for good sustainability reporting and this is what G4 will do. It will be more robust, more material and offer guidance on integration and how it connects with the IIRC. The IIRC and the GRI have joint responsibility for architecture that fits together, and also with financial reporting.

Should reporting be mandatory?

Right now we need to think about substance over format. It's too early to mandate, we are not yet clear about what integrated reporting is. But the transparency principle is there and required on environmental and social issues, how we continue from here is more difficult. Let’s create the conditions that you have to think about it – but leave room to have the larger conversation.

What is the elevator pitch for someone who has attended this conference to take back with them?

Integrated reporting is not an if, but a when. We need to engage to ensure that we’re productive and constructive and powerful in letting people make better decisions. Boards want to be liberated from compliance issues. Start applying this now, talk about it, consult and contribute to G4, engage with the IIRC.
COLLABORATE

Collaboration is a critical element of reporting sustainability performance: companies collaborate with their stakeholders to determine material topics to report. GRI also collaborates with many different stakeholder groups to develop the Sustainability Reporting Framework. Organizations must collaborate, engage and communicate to reap the full benefits of reporting. Delegates and speakers addressed and demonstrated many aspects of collaboration throughout the Conference.

UNDERSTANDING STAKEHOLDER VIEWS AND INTERESTS

Investors, employees and community organizations are concerned by over-positive sustainability reports from Australian companies. Australian companies should present a more balanced reporting, communicating more honestly their negative impacts on the economy, environment and society, as well as positive ones.

Reports should have integrity, reflecting views of management in relation to performance. Understanding and engaging the stakeholders early in the process to establish material issues for the report and an audience for the report is critical to best practice reporting.

Sustainability and thus sustainability reporting are largely western concepts, they need to be explored and redefined within different cultural groups. Stakeholder engagement is critical to all reporting, and must be culturally appropriate. Engaging stakeholders in new countries requires time and evolution. Asian companies see reporting as critical to gaining trust from western companies.

Regardless of location, communications strategies should be developed which include mechanisms for stakeholders to provide feedback, including through social media, such as e-newsletter, blog, Twitter, Facebook. External assurance can ensure a balanced report is produced.

ENGAGING EXECUTIVES, BOARDS AND INVESTORS

Boards, executives and investors are all provided with incentives to have a short-term view of the business. Integrated reporting can provide these stakeholders with a greater understanding of how decision affect the longer term view of the business. Integrated reporting is an outcome of integrated thinking, which is critical to the future success of business. Integrated reporting allows investors to understand how a board and executive team have integrated sustainability into their decision making, and connect the outcomes to business value.

Boards are preoccupied with liabilities, and are failing to consider the long term implications of their business decisions. Government needs to assure boards that they are safe to take a long term view of the business. Investors needs to question companies about what is informing their decision making.

» Regulators need to provide more guidance, protections, confidence to boards on integrated thinking
» Australian Institute of Company Directors should provide training and capacity building to board members on the value of integrated thinking
» Publish a book of interviews of influential directors exploring why integrated thinking is good for their company

THE ROLE OF GOVERNMENT IN REPORTING

The Australian Government supports business in the uptake of sustainability reporting and integrated reporting, but considers reporting too immature to make mandatory at this stage. At the same time, from a regulatory perspective, integrated reporting is unlikely to affect mandatory requirements for financial statements in the next five years.

The government expressed the need for business to improve the rigor of sustainability data submitted to government through legislation such as the National Greenhouse Energy Reporting Scheme. Where regulation has not been implemented, or data not effectively reported upon, significant opportunities to understand how business is addressing issues of sustainability have been lost.

Business asks that government work to reduce the reporting burden for business by aligning data requests and linking to the wider sustainability agenda. The Australian Government is currently investigating how it can extend its Standard Business Reporting (XBRL) from financial reporting to non-financial reporting, significantly reducing the reporting burden from business to government.

While a small number of public agencies across Australia are established reporters, the Australian Government is now considering exemplifying best practice by investigating whether reporting amongst federal government departments and agencies should be required.

» Government needs to reduce the reporting burden by aligning mandatory legislation for issues of sustainability
» Government watchdog role needed to keep government in check and on track
» Government could fund research into integrated reporting – research based approach to understanding
The following actions were identified by delegates during the Conference Conversation. The Conference Conversation gave delegates the opportunity to share practice and shape the agenda for reporting in the future. This half day interactive session evoked and made visible the collective intelligence of the Conference, helping shape the region’s response to sustainability and integrated reporting.

**INNOVATE**

**Ethical Business Practices**
- Companies should have an auditing task force to assess whether it is following its code of ethics
- GRI should more explicitly disclose of ethical principals
- Call to action to ask business to disclose their approach to ethical conduct

**Linking Data to Value Creation**
- Develop clearer definitions/standard definitions regarding ESG data and its value
- Research and standardize methodologies of metrics regarding sustainability and value creation
- Develop case studies of companies that have developed connected metrics for linking sustainability data to value

**Determining Material Issues**
- GRI should dispose of the Application Levels, ensuring that the discussion around materiality becomes more focused
- Develop a short list (5-10) of the most global material issues. Develop guidance and minimum requirements to report against these

**INTEGRATE**

**Building the capacity of business in integrated reporting**
- Undertake an industry analysis to investigate how prepared companies are for integrated reporting
- Convene a forum / association to collect feedback from companies trialing integrated reporting and share lessons, with a view to informing guidelines for integrated reporting
- Conduct research to benchmark integrated reports and compare individual company’s approach to reporting against this benchmark
- Education and stakeholder engagement needed around the value of integrated reporting

**Integrated Thinking and Integrated Reporting**
- Mandate integrated reporting by 2020 based on company size and sector – through legislation or stock exchange listing requirements
- Develop rigorous conceptual framework for integrated reporting
- Have integrated reporting include not only listed companies but expand to broader business community
- Large investor groups should prove ESG considerations when making investment decisions
- Establish integrated reporting working groups to identify how GRI indicators link to financial performance
- Better educate stakeholders around demanding more ESG information from companies
- Conduct research on what materiality is and how it can be approached
- Develop guidance on how to carry out materiality assessments and how to establish integrated thinking. Simple step-by-step tool kits
- Companies need to experiment with integrated reporting, understanding that it is an iterative process – a collaborative approach internally
- Regulators should give flexibility to allow companies to have iterative outcomes/reports that will improve over time
- Government should reduce the reporting burden on companies by reducing overlap and red tape – particularly outside of Treasury.
- Create narrative in the market place – particularly where not looking at ESG has been to the company’s detriment
- The IRC should clearly articulate what integrated reporting is, and should clearly communicate the framework’s development timeline
- Stock exchanges should introduce listing requirements that accept only companies that disclose on issues of sustainability
- Standards organizations (DJSI, COP, FTSE4GOOD, SA4B) should remove duplication and identify gaps, by developing and providing one template for companies to report against and distribute to all indices.

**COLLABORATE**

**Government & Policy**
- Governments at all levels should be required report to GRI – local, state, federal. Government should be leading by example – minimizing the political. Future risks need to be incorporated – looking at long term. Minimum reporting on certain topics should be required
- Assurance of government reports should be mandatory. Auditor general assurance and oversight
- Central coordination body of government is required to ensure consistency in materiality and consistency of reporting between departments
- Government reports should link to a clear definition of public value. Government should demonstrate how policy links with their sustainability agenda/framework

**Boards / Executives**
- Australian Institute of Companies Directors should undertake training of members on ESG/CSR/Sustainability
- GRI/AICD
- AAD should have stronger guidance on principles for supply chain
- GRI
- A taskforce should be developed, which explores knowledge sharing, capacity building, education, procurement
- GRI
- It needs to build trust over competition and have collaboration within industry sectors
- GRI
- Case studies showcasing best practice transparency in the supply chain
- GRI

**Markets and Investors**
- Establish mechanisms that can be used to encourage longer term investing and reduce short termism
- Investors want simplicity around material issues and risks and opportunities.
- Companies also need to take more of a lead to start educating and raising awareness amongst investors
- Improve transparency of superannuation funds. Mechanisms are required that allow shareholders to have a say and make their wishes known
- Pension funds
- Remove quarterly reporting. Short term metrics needs to be removed from reporting
- Regulators
- Develop a system where dividends are paid to investors for social benefits that companies deliver e.g. reduction in water use has resulted in not needing to build a desalination plant could result in a special franked dividend to long term holders
- Regulators
- Portfolio and fund managers provide metrics of the whole portfolio e.g. the water use, GHG emissions of a portfolio and your share as the investor. Showing these metrics per different portfolio
- Investors
- Investgate how companies currently engage with their investors, and how it might be improved/take a longer term view. Need to better understand how to present this information in a way that is useful for investors
- GRI

**Supply chains**
- Training programs – should GRI run Business Transparency Program
- A Bad New Index should be developed
- Establish Sector index - Supply chain awards
- G4 should have stronger guidance on principles for supply chain
- GRI
- A taskforce should be developed, which explores knowledge sharing, capacity building, education, procurement
- GRI
- It needs to build trust over competition and have collaboration within industry sectors
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- Case studies showcasing best practice transparency in the supply chain
- GRI

**Engaging in Asia and Africa**
- A south east Asian conference should be held by GRI
- GRI
- Case studies of sustainability and sustainability reporting in these regions should be development
- Academics / GRI
- A cultural assessment framework should be developed
- Academics / GRI
- Regional GRI Guidelines should be developed (like Brazil National Annex)
- GRI
- Language guides should be developed that help bring understanding to different terms used in different places;
- GRI / Academics
- Case studies of best practice stakeholder engagement in these regions should be developed
- GRI / Academics
- GRI’s Framework should be translated in more languages
- GRI

**Engaging the future generations**
- Baseline research into what makes the younger generation engaged in sustainability
- Academics / Business
- Invite collaboration from younger generation in areas of sustainability strategy – e.g. innovation/technology
- Business
WITH THANKS TO THE CONFERENCE SPONSORS

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- Barsa Consulting Group
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- Australian Centre for Corporate Social Responsibility (ACCSR)

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