

“ Extensive monitoring and reporting of the highest quality are essential for the achievement of a sustainable society. ”

Are we progressing? Comprehensive monitoring and reporting in Australia is an examination of social, environmental and economic reporting practices. It discusses the importance of reporting, optimal arrangements for reporting, problems that need attention to avoid pitfalls and the different types of reporting needed for different purposes.

It describes the state of play in Australia, discussing the adequacy of national, state and territory reporting arrangements. It also looks at the development of organisational reporting in government agencies, business corporations, universities and not-for-profit bodies. It finds many deficiencies in current reporting practices but also some areas where improvements have been made.

The report concludes with a set of recommendations covering reporting in different sectors.

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ARE WE PROGRESSING?

Comprehensive monitoring and reporting in Australia

Andrew Macintosh
& Deb Wilkinson

THE AUSTRALIAN COLLABORATION

A Consortium of National Community Organisations

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Are We Progressing? Comprehensive Monitoring and Reporting in Australia
A report prepared for the Australian Collaboration by
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Overview

Are we progressing? Comprehensive monitoring and reporting in Australia is an examination of social, environmental and economic reporting practices. It begins by discussing why comprehensive reporting matters, the different types of reporting needed for different purposes and problems that need attention to avoid pitfalls. It analyses the key criteria that must be satisfied for effective reporting and the most desirable arrangements for different reporting systems.

It notes the great attention that has been devoted to the improvement of monitoring and reporting practices by United Nations and other international agencies. It assesses the models that have been developed by bodies such as the United Nations Commission for Sustainable Development, the Organisation for Economic Co-operation and Development and the European Union. It looks at initiatives in individual countries such as the Canadian WellBeing Index. It assesses reporting systems that have been developed for broad organisational applicability around the world such as the Global Reporting Initiative.

It describes the state of play in Australia, discussing the adequacy of national, state and territory reporting arrangements for the assessment of overall conditions and trends.

It also looks at the development of organisational reporting in government agencies, business corporations, universities and not-for-profit bodies, citing many examples and their strengths and weaknesses.

It finds and describes many deficiencies in current reporting practices. It also notes areas where improvements have been made in recent years.

The report concludes with a set of recommendations covering reporting in different sectors. The aim of the recommendations is to give monitoring and reporting a much greater standing in all main political jurisdictions across Australia, to provide a clearing house for the collation and comparative assessment of reports in all jurisdictions, to set out the principal actions needed to improve geographic (overall trend analysis) reporting and to improve organisational reporting in the public sector, in corporations and in the not-for-profit sector.

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How to use this report

This report outlines why sustainability reporting is important, analyses the problems associated with existing reporting regimes, discusses the trends in sustainability reporting, and provides recommendations for improvements and how they can be implemented. It is divided into four parts: Part A, 'Principles and Issues'; Part B, 'Practical Applications'; Part C, 'The State of Play in Australia'; and Part D, 'Recommendations'.

Our suggestions for how to read and use this report are:

- Readers who want an overview of the whole report should read the Executive summary.
- Those who are primarily interested in the practical applications of different forms of sustainability reporting should read the Executive summary and Part B.
- Those who have responsibility for preparing sustainability reports should read, or at least skim read, the whole report.
- Those who are primarily interested in the policy recommendations should read the Executive summary and parts C and D.

Preface

Are we progressing? Comprehensive monitoring and reporting in Australia forms part of a series of books, essays and reports published by the Australian Collaboration. These materials are devoted to political, societal and environmental issues facing Australia.

The Australian Collaboration is an association of six leading national community organisations:

Australian Council of Social Service
Australian Conservation Foundation
Choice (Australian Consumers' Association)
Federation of Ethnic Communities' Councils of Australia
National Council of Churches in Australia
Trust for Young Australians.

The Australian Collaboration aims to contribute to the development of a sustainable society on many levels: ecologically, socially, culturally and economically.

In addition to *Books, Essays and Reports*, other materials to be found on the Collaboration's web site include some *40 Fact and Issue Sheets* on societal, economic and environmental issues; *Democracy in Australia*, with many issue sheets devoted to the enhancement of public accountability, transparency and democratic practice; and *School resources* including a series of *Study Guides* related to the Fact and Issue Sheets, together with listings of key national and international web sources of statistical and other information. All can be freely downloaded.

Recent essays published by the Collaboration include:

The Australian Economy: Will our prosperity be short lived? by Ian McAuley, well known writer and commentator.

Global poverty by Michelle Sovey, independent researcher and writer in the humanities and social sciences.

Corruption: The abuse of entrusted power in Australia by Tim Smith, a recently retired Supreme Court judge.

The views expressed in this essay are those of the authors and do not necessarily reflect the views of the Australian Collaboration or its member organisations.

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Executive Summary

Over the past 50 years there has been a growing recognition that accountability should extend beyond financial and economic reporting and that governments and businesses should disclose information on a broader range of economic, social and environmental issues.

The growth in comprehensive reporting can be attributed to an acknowledgement that traditional reporting frameworks do not adequately serve the needs of decision-makers or the community. These frameworks do not facilitate fully informed decisions about matters that have economic, social and environmental consequences, nor do they enable governments and businesses to be held accountable by all relevant stakeholders.¹

The demand for a broader concept of accountability has given rise to new forms of reporting, including social, environmental and what has become known as triple bottom line or sustainability reporting. This new form of reporting attempts to measure economic, social and environmental factors. In doing so, it seeks to benchmark progress towards sustainable development and greater wellbeing. While different terms are sometimes used to describe comprehensive monitoring and reporting systems (e.g. accounting), the term 'sustainability reporting' is preferred here because it arguably has a wider meaning and is more commonly used.

This report reviews the rise, role and state of sustainability reporting in Australia. It is in four parts which are summarised below:

- Part A, 'Principles and Issues', defines sustainability reporting, looks at its role and some of its problems, and reviews the frameworks for effective sustainability reporting;
- Part B, 'Practical Applications', discusses why organisations establish sustainability reporting systems and reviews some of the

more popular international frameworks for sustainability reporting;

- Part C, 'The State of Play in Australia', provides an overview of the domestic trends in sustainability reporting; and
- Part D, 'Recommendations', makes some broad suggestions on how sustainability reporting could be advanced and improved in Australia.

Part A Principles and Issues (summary)

What is sustainability reporting?

Sustainability reporting seeks to extend the bounds of accountability in recognition of matters that influence wellbeing and to assist in the achievement of the objectives of sustainable development. It can be defined as:

an integrated framework for measuring and reporting on the economic, social and environmental performance of, and/or conditions in, an organisation, community, group or geographic area.

Sustainability reporting systems often result in the production of a single printed document or website that contains information on relevant economic, social and environmental issues (what we call 'sustainability reports'). In other cases, there is an integrated reporting system that provides economic, social and environmental information to external stakeholders but this information is not drawn together into a single document or electronic database ('sustainability reporting system'). The classic example is an entity that publishes separate economic, social and environmental reports. Technically, the organisation does not have a sustainability report, yet it does have a sustainability reporting system.

Types of sustainability reporting systems

Sustainability reporting systems can be classified into two broad groups: geographic and organisational.

Geographic reporting systems

Geographic reporting systems provide information on the economic, social and environmental performance of, and/or conditions in, a country, state, province, municipality or other geographic area, whether it is a legal jurisdiction such as a state or local government or a biogeographic area, such as the Murray–Darling Basin.

Examples of geographic reporting systems include:

- Measures of Australia's Progress reports prepared by the Australian Bureau of Statistics and state of the environment reports prepared by the Australian Government that include information on economic, social and environmental trends and conditions;
- The Fairfax Lateral Economics Index of Australia's Wellbeing, which is an index of Australian wellbeing devised by adjusting Net National Income to account for changes in natural and human capital, inequality, health and job satisfaction;
- The Australian Unity Wellbeing Index, which provides a subject measure of personal and national wellbeing based on representative surveys that gather information on peoples' satisfaction with various personal and public issues; and
- Community Indicators Victoria's wellbeing reports for local government areas.

Organisational reporting systems

Organisational reporting systems provide information on the economic, social and environmental impacts and performance of a single organisation (e.g. a company or government department) or a group of organisations (e.g. an industry group or collection of government departments and agencies). Corporate and public sector sustainability reports are the best-known organisational reports.

Organisational reporting systems can be further categorised according to the nature of the reporting entity: public sector, corporate, industry, and not-for-profit.

The role of sustainability reporting

Accountability frameworks that focus exclusively on economic and financial outcomes reinforce perceptions that social and environmental issues are of secondary concern. The incorrect use of economic indicators such as Gross Domestic Product (GDP) illustrates this point.

Politicians, media commentators and other political and economic analysts often use GDP both as a measure of societal wellbeing and the performance of the government; falling GDP being a sure sign of impending doom. GDP is an indicator of economic output that on its own does not account for the many other social and environmental factors that contribute to wellbeing and sustainability. The emphasis on GDP has reinforced the notion that the primary role of government is to promote economic growth whether or not that leads to increasing social wellbeing.

Sustainability reporting can help overcome some of the problems associated with traditional reporting systems by, among other things:

- Increasing the likelihood that timely and accurate information on relevant economic, social and environmental matters is collected and disseminated among decision-makers and communities;
- Providing new benchmarks against which to measure societal wellbeing, sustainability and the performance of decision-makers;
- Helping to shape social preferences and creating a greater demand for balanced decision-making processes; and
- Encouraging more informed democratic debate.

Approaches to sustainability reporting

There are three main approaches to sustainability reporting: accounts-based assessments,

narrative assessments and suite-of-indicators assessments.

Accounts-based assessments convert data on economic, social and environmental issues into a common unit (typically money) or an index in order to provide a picture of sustainability or a particular aspect of sustainability. There are two types of accounts-based assessments: one-number approaches and accounting-framework approaches.

One-number approaches seek to generate a single composite indicator of sustainability or an aspect of it. Examples include the Environmental Sustainability Index, Genuine Progress Indicator (GPI), Australian Unity Wellbeing Index, Fairfax Lateral Economics Index of Australia's Wellbeing, Environmentally Adjusted National Product, the Human Development Index and the Canadian Index of Wellbeing.

Accounting-framework approaches involve the provision of information on sustainability in a unified system of accounts, similar to those prepared for traditional organisational financial statements or the System of National Accounts that is used for countries. They generally involve the assignment of monetary values to measure different aspects of sustainability and are often used to generate single composite indicators such as the GPI, just as they are used to produce single economic indicators such as GDP: one-number and accounting-framework approaches are often integrated.

Narrative assessments provide a subjective, written evaluation of the sustainability or condition of a reporting entity (e.g. a country or corporation). While statistical data are often used, they are included merely to support the opinions expressed in the report rather than being the focus of it.

In contrast, suite-of-indicator assessments involve the presentation of a collection of indicators on different aspects of sustainability, where judgements about the relative importance of different indicators and the overall state of the reporting entity are left to the reader. Unlike narrative assessments, in a suite-of-indicator assessment the indicators are the focus of

the report and any narrative that is included is intended to explain the nature of the statistics provided. Similarly, while linkages between indicators may be discussed, unlike accounts-based assessments, there is no attempt to integrate the indicators to provide an aggregate picture of the performance or condition of the reporting entity.

Suite-of-indicator and narrative assessments are currently more widely used in organisational and in geographic reporting systems than accounts-based approaches. This is due to methodological problems associated with accounts-based assessments and the ambiguity associated with the concept of sustainability, which arguably makes aggregation across the different dimensions of sustainability impossible or at least highly problematic.

Problems with sustainability reporting

Sustainability reporting offers many advantages over traditional reporting frameworks, but there are questions and issues that need careful attention, including:

- Methodological problems, such as: what aspects of sustainability should the system cover? How should numerical values be assigned to non-market items? How to account for technological changes and new resource discoveries? How to account for defensive expenditures?;
- Lack of consistency in reporting structures and styles, which hinders trend and comparative analysis; and
- Inadvertent or deliberate biased reporting, which can mislead readers.

Many of these problems are common to other reporting systems and can be resolved with the use of appropriate frameworks.

Part B: Practical Applications (summary)

Why do organisations establish organisational reporting systems?

There are four main reasons why corporations establish sustainability reporting systems: economic benefits, legal and voluntary obligations, social and political pressure, and altruism.

The available evidence suggests that the primary driver behind the establishment of these systems in corporations is the economic advantages they offer for key stakeholders. The economic benefits may include:

- Marketing and reputation advantages – they can assist in bolstering the reputation of the organisation among consumers, suppliers, investors, governments and communities;
- Identification of cost savings – they can shed light on areas where cost savings can be made;
- Cultural change – they can be a cost-effective way of getting managers and other employees to alter their operational practices; and
- Capital market benefits – they may be able to lower the cost of capital by providing greater disclosure of potential risks and enabling organisations to access capital from socially responsible or ethical investment funds.

As government agencies have a broader range of organisational objectives, the reasons why these agencies adopt sustainability reporting systems are likely to differ from corporations. Relevant factors could include: a desire to promote greater coordination between government agencies; reshaping agency cultures to ensure staff focus on ‘whole-of-government’ outcomes; identifying cost savings; improving public accountability; and assisting in achieving political objectives.

Why do governments and not-for-profit organisations establish geographic reporting systems?

There are four main reasons why governments and not-for-profit organisations adopt geographic reporting systems:

- Legal and moral obligations – a number of international agreements require or encourage parties to establish sustainability or environmental reporting systems;
- Improved decision-making – ensuring that decision-makers have a broad range of information on relevant economic, social and environmental issues (i.e. to fill information gaps);
- Shaping values and opinions – governments and not-for-profit organisations may publish sustainability information in an attempt to raise awareness about issues and garner support for specific policies; and
- Political and reputational reasons – governments may use sustainability reporting to attract support, while not-for-profit organisations may publish sustainability reports to improve their relations with political parties, governments and other organisations.

International sustainability reporting frameworks

Many frameworks and guides have been prepared to promote sustainability reporting. Arguably the most prominent of these are the Global Reporting Initiative’s (GRI) *Sustainability Reporting Guidelines*, the UN Commission for Sustainable Development’s (UNCSD) *Indicators of Sustainable Development* and the UN Statistical Division’s *System of Integrated Environmental and Economic Accounting* (SEEA).

The GRI is a joint initiative of the UN Environment Program and the Coalition for Environmentally Responsible Economics, which was first produced in 1997. Its aim is to improve the rigour, quality and utility of organisational sustainability reporting by developing globally applicable, voluntary sustainability reporting guidelines. The latest of the *Sustainability Reporting Guidelines* was published in 2006 (and updated in 2011) and it encourages a combined suite-of-indicators and narrative-assessment approach to sustainability reporting.

The UNCSD *Indicators of Sustainable Development* is designed to promote greater uniformity in the preparation of geographic reports. The latest version of the *Indicators of Sustainable*

Development is built around what is called the CSD Theme Indicator Framework, which consists of a hierarchy of four categories (social, environmental, economic and institutional), 15 themes, 38 sub-themes and 58 indicators.

The SEEA Central Framework is an accounts-based geographic reporting framework that promotes the creation of a system of satellite national accounts that are intended to stand alongside and complement the traditional System of National Accounts.

Part C: The State of Play in Australia (summary)

A number of high-quality geographic reporting systems have been established at the national level and some progress has been made in the states and territories. Generally, less has been achieved at the regional and local levels, although over the past five years, there has been an increase in local reporting, particularly in Victoria. Most of the geographic reporting systems that have been established have problems of scope and consistency. A number of organisations (including the Australian Bureau of Statistics (ABS)) are working to expand, and address weaknesses in, existing geographic reporting systems.

Despite efforts to improve the extent and quality of organisational reporting in Australia, the evidence suggests that achievement is still limited and below that seen in other developed countries. Among federal and state departments, sustainability reporting is quite rare, although many government business enterprises have adopted the practice. Within local government and universities, the uptake of sustainability reporting has been limited and, where it has been adopted, there are significant differences in the quality of the information provided and the approaches that have been used.

There has been an increase in corporate sustainability reporting but it remains a niche practice that suffers from a lack of consistency and problems associated with information quality. There are few examples of organisational reporting in the not-for-profit sector.

Part D: Recommendations (summary)

Recommendation 1: Geographic reporting

To improve geographic reporting in Australia:

The Council of Australian Governments (COAG) should agree on a framework for reporting at the national, state and territory, regional and local levels;

The framework should promote a suite-of-indicators approach to reporting that is tailored to the needs of information users and the capacity of the relevant authorities to generate the information in a cost-effective manner;

At national, state and territory levels, the responsibility for reporting should be vested in an independent statutory authority that is supported by adequate powers and resources;

All appointments to the independent statutory authority should be made by the relevant Minister on the advice of an independent appointments board;

There should be a statutory obligation on all government agencies to provide information to the independent statutory authority and to assist the authority in the performance of its duties;

COAG should fund the establishment of an internet-based sustainability reporting clearing house, which would collate information across the three dimensions of sustainability at the national, state, regional and local levels, provide links to appropriate sources of information and help promote greater cohesion in reporting systems; and

All Commonwealth and state government reports should be independently audited.

Recommendation 2: Public sector reporting

To improve organisational reporting by government agencies:

COAG should agree on an indicator-based framework for reporting by government agencies that is consistent with the GRI guidelines;

All government agencies (including local councils and universities) should be required by law to

prepare sustainability reports, preferably as part of their standard annual reports;

The nature of the reporting obligations should be proportionate, reflecting the size of the organisation and the activities they undertake;

All public sector sustainability reports should be available online, preferably at the sustainability reporting clearing house referred to in Recommendation 1; and

All Commonwealth and state and territory government reports should be independently audited.

Recommendation 3: Corporate reporting

To improve corporate sustainability reporting:

COAG and representatives from the private sector (including not-for-profit organisations) should devise an agreed framework for corporate reporting that is consistent with the GRI Guidelines and the agreed framework for public sector sustainability reporting;

The agreed framework should be tiered to ensure that information requirements are proportionate to the size and nature of the entity;

All corporate sustainability reports should be available online, preferably at the sustainability reporting clearing house referred to in Recommendation 1;

Mandatory indicator-based sustainability reporting should be introduced for all publicly listed companies;² and

Sustainability reports of public companies should be independently audited.

Recommendation 4: Not-for-profit reporting

To promote sustainability reporting and improve accountability in the not-for-profit sector:

The framework referred to in Recommendation 3 should apply to not-for-profit organisations;

Mandatory indicator-based sustainability reporting should be required for all large not-for-profit organisations;

All not-for-profit sustainability reports should be available online, preferably at the sustainability reporting clearing house referred to in Recommendation 1; and

Sustainability reports of large not-for-profit organisations should be independently audited.

PART A: Principles and Issues

If people don't know what you're doing, they don't know what you're doing wrong.

—Sir Arnold Robinson, *Yes Minister*, BBC

The need for accountability in public and corporate affairs is well accepted. Until recently the principal form of accountability for public and corporate behaviour has been financial. Thus there have long been requirements in corporations law for companies to prepare and publish audited accounts. The Australian Securities and Investments Commission and the Financial Reporting Council monitor compliance with these requirements in Australia and oversee the corporate reporting and auditing system. Government departments and statutory bodies are similarly required to table annual reports in parliament that contain full financial accounts. These reports perform an important function in Australia's system of responsible government by ensuring that the parliament has the capacity to evaluate the financial integrity of the executive. The Auditor-General in each jurisdiction oversees the preparation of these reports.

Over the past half-century there has been growing recognition that accountability extends beyond financial reporting and that governments and businesses should disclose information on relevant social and environmental conditions, as well as economic factors. This has prompted the emergence of social reporting, environmental reporting and what has become known as sustainability or triple bottom line reporting.³ As the terms suggest, social reporting and environmental reporting involve the provision of information on social and environmental issues respectively.⁴ In contrast, sustainability reporting seeks to ensure that countries and other entities collect and disclose information on the three aspects of sustainability or sustainable development: economic, social and environmental. Social, environmental and sustainability reporting systems pose a direct challenge to the traditional reporting methods, which focus almost entirely on the monetary value of economic outputs and man-made capital. From a position of relative obscurity in the 1970s and 1980s, sustainability reporting is now gaining broader acceptance and is practised by a growing although

still relatively small number of governments, corporations and not-for-profit organisations.⁵

The growth in sustainability reporting can be attributed, at least in part, to an acknowledgement that traditional reporting frameworks do not adequately serve the needs of decision-makers or the community. They do not facilitate fully informed decisions about matters that have economic, social and environmental consequences, nor do they enable all relevant stakeholders to hold governments and businesses accountable. In the 1970s, a number of government, corporate and not-for-profit entities sought to address some of these problems by encouraging the dissemination of information on a range of economic, social and environmental issues. For example, the United Nations (UN) Conference on the Human Environment held in Stockholm in 1972 recommended that data on specific environmental issues be collected to enable the monitoring of important environmental trends. The UN subsequently launched a program for the development of environmental statistics in the late 1970s, which resulted in the publication of *A Framework for the Development of Environmental Statistics*⁶ and a number of other technical reports⁷ that played an important role in improving environmental reporting and data collection. Similarly, in 1979, the Organisation for Economic Cooperation and Development (OECD) began a program to encourage and assist its member states to prepare reports on the condition of the environment in their respective jurisdictions (known as 'state of the environment reports'). A number of corporations, particularly in the United States and western Europe, also experimented with social reporting during the 1970s in response to public debates about the role of companies and their impacts on society.

While these early initiatives were significant, a major impetus for the drawing together of information on economic, social and environmental trends in sustainability reporting frameworks was provided by the Brundtland Report in 1987.⁸ The report highlighted concerns about the nature and patterns of development and prompted the integration of sustainability concerns into the practices of many political, social and economic entities. It also triggered three notable international developments

that helped propel sustainability reporting into the mainstream.

The first was the commencement of the OECD's work program on the development of environmental indicators in 1989. The environmental indicators program built on the OECD's work on state of the environment reporting, as well as other work carried out by the UN,⁹ and was intended to assist government decision-makers to integrate environmental issues into policy-making processes and provide a reliable and comprehensible source of information on environmental trends for the broader community. The program produced a preliminary set of environmental indicators in 1991 and, since then, has developed several sets of environmental indicators that serve a variety of purposes.¹⁰

The second significant international development that followed on from the Brundtland Report was the invention of the Human Development Index (HDI) and publication of the first Human Development Report by the United Nations Development Program (UNDP) in 1990. The Human Development Reports directly challenge the supremacy of economic and financial reporting, particularly the widely accepted practice of using national income figures, such as Gross Domestic Product (GDP), as a measure of societal wellbeing. In this regard, the HDI is intended to provide an alternative indicator of human development or social progress that is based on three key contributors to human happiness: longevity (as measured by life expectancy), knowledge (measured by levels of literacy and education) and living standards (measured by GDP). As the UNDP has suggested, the HDI attempts to prompt a move away from reporting frameworks that focus on 'only one dimension of human life',¹¹ toward those that present a more rounded picture of wellbeing.

The third notable event triggered by the Brundtland Report was the adoption of Agenda 21 at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, in June 1992.¹² Agenda 21 is a plan of action agreed to by 178 countries that is intended to address major economic, social and environmental challenges. Part of the plan involves establishing frameworks that will assist in responding to these challenges and improve decision-making processes. It recognises that there are serious deficiencies in the type and quality of information available to decision-makers and acknowledges that commonly used indicators of progress, such as

GDP and Gross National Product (GNP), do not provide adequate indicators of sustainability. Agenda 21 calls on governments to gather and collate a broader range of data at various levels on 'ecosystem, natural resource, pollution and socio-economic variables' and requires measures to be taken to develop indicators of sustainable development. The global community's commitment to the principles and measures outlined in Agenda 21 was reaffirmed at the World Summit on Sustainable Development in Johannesburg, South Africa, in late 2002.

The momentum provided by the Brundtland Report, Agenda 21, the OECD's environmental indicators program, and the UNDP's HDI prompted a range of other government and non-government initiatives that were designed to promote and improve social, environmental and sustainability reporting. One of the most successful of these was the Global Reporting Initiative (GRI), which provides a framework for organisational sustainability reports.¹³ Many of these initiatives focused on reporting by organisations (particularly corporations), rather than simply by governments.

Aiding the growth in corporate sustainability reporting has been persistent public questioning regarding the functions of corporations and the extent to which they have responsibilities to people other than their employees, creditors and shareholders. Debates concerning what has become known as 'corporate social responsibility' have been ignited by instances of corporate neglect and mismanagement, along with government policies that outsource public services to private providers and decrease the regulatory obligations of businesses. As governments have sought to reduce their public presence, many have queried the role of corporations and called for greater access to information about the actions of corporations and their impacts on the environment and society. This drive towards sustainability reporting by organisations has formed part of what has been described as the social and ethical accounting, auditing and reporting (SEAAR) movement.¹⁴

The development of sustainability reporting in Australia has mirrored the trends found overseas. During the 1970s and 1980s, some governments and corporations experimented with early forms of social and environmental reporting but it was not until the 1990s that concerted efforts were made to expand and integrate sustainability reporting frameworks. Since the early 1990s, progress has been made in the

development of sustainability reporting frameworks for government entities and in the establishment of national and state sustainability reporting systems. A growing number of Australian companies have also embraced sustainability reporting, a phenomenon that governments have tried to promote through the provision of information and other voluntary schemes. However, the number of corporations that have established comprehensive sustainability reporting frameworks remains low, even among larger companies.¹⁵

While there are grounds for optimism, numerous problems must be overcome if sustainability reporting is to serve its intended purposes in Australia. These include the low uptake of sustainability reporting in the public and private sectors, the variability in the quality of reports, the lack of uniform reporting standards and the misuse of sustainability reporting. Policy-makers and members of the community also need to make more use of sustainability reports if they are going to ensure greater accountability and responsiveness of decision-makers.

1. Why is sustainability reporting important?

Traditionally, formal reporting frameworks have focused on the provision of economic and financial information. These economic and financial reporting frameworks have often been complemented by non-financial data collection and reporting systems. For example, population censuses have been common for centuries and many companies have been required to report (at least to regulators) on air and water pollution emissions since the early 1970s. However, for the most part, economic and financial reporting has been the dominant form of reporting for governments, government agencies and companies in the modern era.

The emphasis on economic and financial reporting is a product both of the demands of the users of the information and what reporting entities see as important. In the context of corporate financial reports, their target audience has primarily been shareholders, prospective investors, creditors and financial intermediaries.¹⁶ Consequently, the content of these reports have been geared towards their requirements, which tend to be focused on financial performance. Similarly, with regard to government reporting, the main users of these reports have been

government decision-makers, political parties, and banks and other financial institutions. Although these users often require non-financial information, their principal interest in formal reporting frameworks has typically been on tracing monetary flows and gauging financial or economic capacity.

The dominance of financial and economic reporting and the comparative neglect of social and environmental reporting have arguably contributed to decision-makers and society placing undue emphasis on financial and economic issues at the expense of environmental and social matters. One reason for this may be that the lack of timely, comprehensive and accurate social and environmental reporting has resulted in information gaps that have inhibited democratic processes, prevented policy and price signals reaching decision-makers and consumers, and stifled the ability of societies and their decision-makers to respond appropriately to social and environmental issues. As the United Nations has stated in the context of national accounting frameworks:

[b]y not accounting for the private and social costs of the use of natural resources and the degradation of the environment, conventional accounts may send wrong signals of progress to decision makers who may then set society on a non-sustainable development path.¹⁷

In the context of corporations, the reporting frameworks are intended to ensure that directors are accountable to shareholders and creditors for the financial performance of the corporation. They are a product of the legal structure of corporations, which separates owners (i.e. shareholders) from managers and directors and requires directors to 'act in the best interests of the company'. This requirement roughly translates into an obligation for directors to maximise the financial value of the entity. Information gaps can, however, lead to sub-optimal outcomes for the community in which a corporation operates and also lower economic returns to shareholders and other stakeholders. For example, better energy data can help reduce an entity's costs of production.

In addition, information gaps can undermine the ability of markets to influence corporate behaviour. If companies do not disclose information on social and environmental performance, stakeholders (i.e. investors, creditors, suppliers, consumers, employees, insurers, etc.) are less able to make choices that account for these issues. As a result, their capacity

to use their economic power to influence corporate behaviour is diminished.

Information gaps are not the only negative outcome associated with reporting systems that focus on financial and economic performance. Traditional reporting frameworks have also helped reinforce the view that environmental and social matters are of secondary concern. In doing so, they have provided justification for decision-making processes that place economic and financial outcomes before society and the environment.

There is growing recognition that accountability extends beyond financial reporting

GDP provides a good illustration of this phenomenon. Politicians, media commentators and other analysts often use GDP as a measure of societal wellbeing and of the performance of government.¹⁸ The emphasis on GDP has arguably reinforced the notion that the primary role of government decision-makers is to promote economic growth, on the assumption that growth alone leads to greater wellbeing. The value that society places on economic growth and man-made capital may have increased as a result of the adoption of economic and financial indicators as benchmarks by which to judge the success and failure of its decision-makers and the progress of the society. The difficulty here is not that society may want additional economic growth or that it may place a premium on current consumption or man-made capital but rather that the preferences of society are being formed in the absence of timely, comprehensive and accurate information on social and environmental issues. The result may be that decisions made today that reflect community preferences do not ultimately maximise wellbeing because neither the community nor its decision-makers were aware of the consequences of their actions.

Sustainability reporting offers a means of overcoming some of the problems created by the traditional imbalance in reporting structures. Its potential advantages include the following:

- Sustainability reporting will increase the likelihood that timely, comprehensive and accurate information on social and environmental trends

is collected and disseminated within society and among decision-makers. This will reduce problems associated with information gaps and the absence of policy and price signals.

- The presentation of a cross-section of economic, social and economic information in regular reports may provide new benchmarks by which to judge societal wellbeing and the performance of decision-makers. This can encourage decision-makers to make more balanced decisions.
- Sustainability reports can assist in shaping social preferences and in creating a demand for more balanced decisions and outcomes.
- By bringing together key indicators on economic, social and environmental performance and conditions, sustainability reports can encourage more informed debate and reduce information and search costs incurred by participants in democratic processes. Sustainability reports can therefore play an important role in creating a more informed and engaged citizenry and in making our democracy more deliberative.¹⁹
- Sustainability reports can reduce social tensions by enabling greater awareness of an entity's activities and impacts.

Summary

There are a number of reasons why sustainability reporting is important for Australia and the international community and why it is superior to conventional economic and financial reporting frameworks. There are problems to be overcome in the methodology associated with sustainability reporting (see section 5). However, if these can be resolved, sustainability reporting stands to make a valuable contribution to the pursuit of sustainable development and greater wellbeing.

2. What is sustainability reporting?

In order to fully understand sustainability reporting and its role in society, it is necessary to start with the more fundamental question, what is sustainable development?

Probably the most widely used definition of sustainable development is that provided in the Brundtland Report, which states that it is '... development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'²⁰ Although often quoted, this definition

is far from universally accepted. Just as sustainability reporting has grown rapidly in recent times, so too have the number of different definitions of sustainable development.²¹

Broadly, the divisions and controversies concerning the definition of sustainable development have centred on:

- Whether the concept is limited to the desire to ensure economic growth is pursued in a way that does not degrade the natural environment (or certain aspects of the natural environment), or whether it should include other social issues such as intergenerational equity,²² social cohesion and democratic participation in decision-making processes; and
- Whether the concept merely requires the aggregate stock of economic, human, social and natural capital to be maintained (what has become known as 'weak sustainability'), or whether it requires the levels of economic, human, social and natural capital to be kept above a certain level (known as 'strong sustainability').

The debate about the meaning of sustainable development has resulted in the creation of different terminology to capture the various understandings of what sustainability is or should be. The most obvious example of this is the notion of 'ecologically sustainable development', which has been defined as:

using, conserving and enhancing the community's resources so that ecological processes, on which life depends, are maintained, and the total quality of life, now and in the future, can be increased.²³

Although the term suggests it is primarily focused on the protection of the environment (or natural capital), it is generally accepted that 'ecologically sustainable development' embraces a broader vision of sustainability that includes economic and social dimensions. The *National Strategy for Ecologically Sustainable Development*, for example, identifies its core objectives as being:

- To enhance individual and community wellbeing and welfare by following a path of economic development that safeguards the welfare of future generations;

- To provide for equity within and between generations; and
- To protect biological diversity and maintain essential ecological processes and life-support systems.²⁴

The broader concept of ecologically sustainable development has been incorporated into numerous laws and policies in Australia, particularly those relating to the environment and natural resource management.²⁵ Irrespective of whether the terms 'sustainable development', 'sustainability' or 'ecologically sustainable development' are used, it is generally accepted that these concepts require consideration of economic, social and environmental issues.²⁶ Further, there is considerable support for the notion that all three issues are interrelated and that they deserve equal attention in decision-making processes.²⁷ If sustainable development is based on the three pillars of economic, social and environmental progress, what then is sustainability reporting?

2.1 Sustainability reporting

Definitions of sustainability reporting

Sustainability reporting can be defined as an integrated framework for measuring and reporting on the economic, social and environmental performance of, and/or conditions in, an organisation, community, group or geographic area.²⁸ This definition is intended to cover reports on corporations, not-for-profit organisations, industry groups, government agencies, political entities (i.e. countries and states) and even individual households.

Sustainability reporting can be defined as an integrated framework for measuring and reporting on economic, social and environmental performance

This generic definition, and others like it,²⁹ hides the complexities associated with sustainability reporting and the vast differences in the design and content of sustainability reporting systems. However, it provides a general indication of the types of

information and reporting systems that fall within the bounds of the phrase.

Sustainability reporting comes in many different forms. These include printed reports that provide information on economic, social and environmental issues; and electronic reporting systems that provide an integrated database on the three pillars of sustainability. We use the phrase 'sustainability reports' to refer to printed or electronic external reports that combine information on economic, social and environmental issues. An external report is one that is made available to external stakeholders (including members of the general public), as opposed to a report that is intended for internal use by managers, employees or members of the relevant government. The phrase 'sustainability reporting system' is used to describe any integrated reporting system that provides information on economic, social and environmental issues to external stakeholders, even if the information does not appear in a single printed report, database or internet location.³⁰ For example, we would regard a company that regularly publishes three separate but related reports on its economic, social and environmental performance as having a sustainability reporting system, even though none of these reports would be a sustainability report.

Sustainability reporting systems can be classified on a number of grounds, one of which is what they contain. The most common sustainability reporting systems focus on one of two issues:

- The economic, social and environmental performance of an individual organisation or a group of organisations (what we call 'organisational reporting systems'); and
- The economic, social and environmental performance of, and/or conditions in, a country, state, province, municipality or other geographic area (called 'geographic reporting systems').

Organisational reporting systems can be further divided into four groups on the basis of the nature of the organisation(s) that are the subject of the reporting system: public sector (i.e. government agencies), industry, corporate and not-for-profit. Of these, public sector and corporate sustainability reporting systems are the most widespread and influential (see Part C).³¹ Geographic reporting systems have been established by many government and not-for-profit

organisations and include reports on national, state, regional and local conditions and trends.

BOX 1 Types of sustainability reporting systems

Geographic reporting systems

These systems cover a specific geographic area, whether it is a legal jurisdiction such as a state or local government or a biogeographic area, such as the Murray–Darling Basin. Examples of geographic reporting systems include:

- Measures of Australia's Progress reports prepared by the ABS and state of the environment reports prepared by the Australian Government that include information on economic, social and environmental trends and conditions;
- The Genuine Progress Indicator, which used to be published by The Australia Institute and provided an index of development that covered economic, social and environmental issues;
- The Fairfax Lateral Economics Index of Australia's Wellbeing, which is an index of Australian wellbeing devised by adjusting Net National Income to account for changes in natural and human capital, inequality, health and job satisfaction;
- The Australian Unity Wellbeing Index, which provides a subject measure of personal and national wellbeing based on representative surveys that gather information on peoples' satisfaction with various personal and public issues;
- The Community Indicators Victoria's wellbeing reports for local government areas.

Organisational reporting systems

These systems provide information on the economic, social and environmental impacts and performance of a single organisation (e.g. a company or government department) or a group of organisations (e.g. an industry group or collection of government departments and agencies). Corporate and public sector sustainability reports are the best-known organisational reports.

What information does sustainability reporting provide?

Consistent with the definitions of sustainability reporting provided above, sustainability reporting systems generally contain information on all three aspects of sustainability: economic, social and

environmental.³² The precise nature of the information that is provided in relation to each of the dimensions of sustainability varies considerably depending on the nature of the reporting entity, the purpose of the reporting system and which approach is used in the reporting system.

Different approaches to sustainability reporting

There are three main approaches to sustainability reporting:

- Accounts-based assessments;
- Narrative assessments; and
- Suite-of-indicators assessments.³³

This classification system is not entirely accurate as there is overlap between these categories and many reports and reporting systems will not fit comfortably into one of them. However, it provides a useful guide for understanding sustainability reporting systems.

Accounts-based assessments convert data on economic, social and environmental issues into a common unit (for example, money, land area or energy) or an index to provide information on sustainable development or a particular aspect of sustainability. There are two distinct types of sustainability reporting approaches within the umbrella of accounts-based assessments: one-number and accounting-framework approaches.³⁴

As the term suggests, one-number approaches combine information on economic, social and environmental issues to produce a single composite indicator of sustainability or a particular aspect of sustainability. Examples include the Environmental Sustainability Index (ESI), Australian Unity Wellbeing Index, Fairfax Lateral Economics Index of Australia's Wellbeing, Genuine Progress Indicator (GPI), Human Development Index (HDI) and Environmentally Adjusted National Product (EANP or Green NNP).³⁵ They are principally used in geographic reports and are often designed to provide a counterbalance to macro-economic indicators, such as GDP and GNP.

Accounting-framework approaches involve the provision of information on sustainability in a unified system of accounts, similar to those prepared for traditional organisational financial statements or the System of National Accounts that is used for countries. The concept requires the use of physical

and monetary units to measure different aspects of sustainability. However, to enable the creation of a fully integrated system of accounts, monetary values are usually assigned to the relevant line items using various valuation techniques. In this way, accounting-framework approaches can be used to generate single aggregate indicators such as the GPI, Green NNP and the Fairfax Lateral Economics Index of Australia's Wellbeing, just as they are used to provide single economic indicators such as GDP and GNP.

Narrative assessments provide a written evaluation of the sustainability or condition of the relevant entity or area. They can include a range of statistical data on the different pillars of sustainability. However, the statistical information is used to support the opinions expressed in the report rather than being the focus of it. Consequently, the indicators used in a narrative assessment may change over time to reflect the changing focus of the reporting system, evolution of new indices and views expressed in the reports.

Suite-of-indicators assessments involve the presentation of a collection of indicators on different aspects of sustainability. While linkages between the indicators may be discussed, unlike accounts-based assessments, there is no attempt to integrate the indicators to provide an aggregated picture of the performance or condition of the reporting entity. Similarly, the indicators are the focus of the report. Any narrative that is provided is intended to simply explain the nature of the indicators and the information they provide. Judgements about the relative importance of different indicators and the overall performance and condition of the reporting entity are left to the reader. This distinguishes suite-of-indicators assessments from narrative assessments, where the statistics and indicators are used to support the opinions expressed in the report on the sustainability or condition of the relevant entity or area.

The suite-of-indicators and narrative assessments are currently more widely used in both organisational and geographic reports than accounts-based assessments. This is due to methodological issues associated with one-number and accounting-framework approaches and the ambiguity associated with the concept of sustainability, which arguably makes aggregation across the different dimensions of sustainability impossible or at least highly problematic.

BOX 2 Approaches to sustainability reporting**Accounts-based assessments**

Definition: Assessments that convert data into a common unit or an index to provide information on sustainable development or a particular aspect of sustainability.

Examples: GPI, Fairfax Lateral Economics Index of Australia's Wellbeing, Australian Unity Wellbeing Index, HDI and Green NNP.

Application: Used in geographic sustainability reports.

Narrative assessments

Definition: Assessments based on a written evaluation of the sustainability or condition of the relevant entity or area. Statistical information on the different pillars of sustainability is used to support the opinions expressed in the report, rather than being the focus of it.

Example: Local government reports on the implementation of Council plans, i.e. City of Wodonga's quarterly reports.

Application: Used in both geographic and organisational sustainability reports.

Suite-of-indicators assessments

Definition: Assessments based on the presentation of a collection of indicators on different aspects of sustainability.

Example: ABS *Measures of Australia's Progress* series.

Application: Used in both geographic and organisational reports.

Further analysis of the relative strengths and weaknesses of these assessment approaches is found in section 4 below.

Definition and role of indicators

An indicator is an index or measure that enables the evaluation of the state or condition of a system or thing. The position or value of the indicator relative to benchmarks or reference points provides information on the system or thing and how it is functioning.

Indicators play a central role in sustainability reporting. Their key functions have been described as including: simplification, quantification, standardisation and communication (UNEP 2003). Their basic function is to reduce complex issues into readily

digestible pieces of information that can be understood by a wide variety of audiences and used to evaluate economic, social and environmental trends and conditions.

An indicator is an index or measure that enables the evaluation of the state or condition of a system or thing

Types of indicators

Indicators of sustainability can be divided into two broad groups: single (or micro) and aggregate (or macro).²³ Single indicators select particular economic, social and environmental issues as proxies for sustainability, or a particular aspect of sustainability, and provide a snapshot of the state of the relevant issue. For example, a government may use single indicators of air quality, such as levels of nitrogen oxides, sulphur oxides and particulates, to provide an insight into the condition of the atmosphere and environment. Similarly, the level of homelessness and welfare dependence could be used as indicators of social development. Single indicators are generally calculated by measuring the extent of a given phenomenon (e.g. unemployment, soil acidity, drug use).

By contrast, aggregate indicators are devised by combining single economic, social and/or environmental indicators so as to provide a composite indicator of sustainability or a composite indicator of one of the dimensions of sustainability. GPI, Fairfax Lateral Economics Index of Australia's Wellbeing and Green NNP are examples of aggregate sustainability indicators, while GDP and GNP are aggregate economic indicators. Both single and aggregate indicators are used in one-number, accounting-framework and suite-of-indicators approaches to sustainability reporting.

Content of sustainability reports

Set out below is a brief overview of the types of economic, social and environmental information that is often found in sustainability reports. It is based primarily on the types of information that are likely

to be found in reports that use a suite-of-indicators assessment approach.

Economic information

The economic information that is included in sustainability reports will generally include traditional financial data on income levels (revenues and expenses) and the stock of productive capital. It may also include other information that is designed to provide the reader with a broader understanding of the economic wellbeing within the relevant entity, group or area or the impacts of the entity on general economic welfare.

In geographic reports, the economic information may include financial data such as the rate of economic growth, the value of total production per capita (GDP per capita), levels of savings and investment, and levels of foreign debt, as well as other conventional economic indicators such as employment levels, unemployment rates, average income levels, national net worth, average leisure hours, and expenditure on research and development. It may also include data on consumption and production patterns (e.g. per capita energy consumption, proportion of energy that is supplied from renewable sources, waste generation, and waste recycling and reuse), transportation (e.g. average commute distances and details of freight movements) and business conditions (e.g. new businesses and business closures).

The economic information provided in organisational reports largely comprises extracts from the relevant entity's financial reports, such as net profit, earnings per share, expense to income ratio, dividends paid, and major acquisitions and sales. In some cases, it extends beyond these standard measures to provide an indication of the organisation's impacts on the economic interests of its stakeholders (e.g. suppliers, customers, communities, governments). Hence, the economic information may also include total taxes paid, subsidies received, value added to the economy, number of employees and employee retention rates, employee productivity, number and location of suppliers, expenditure on suppliers (i.e. cost of goods and services), customer numbers and location, and market share. In relation to corporations, the inclusion of this additional economic information highlights the different purposes of financial reports and corporate sustainability reports: the former are primarily intended to serve the interests

of shareholders, creditors and managers, while the latter are designed for all stakeholders.

Social information

Social information in sustainability reports is intended to provide a measure of social conditions in a community and/or gauge the impact that an organisation (or a group of organisations) has on social systems.

In geographic reports, social information tends to focus on the state of social systems and the distribution of the non-economic benefits associated with development. The types of indicators that are used to measure these issues include literacy rates, qualification levels, school retention rates, poverty and crime rates, changes in the stocks of public housing, life expectancy, incidence of certain diseases, and access to safe drinking water and adequate sewage disposal facilities. These measures of social progress may be broken down into regions or localities, so as to provide an indication of intra-generational equity within the relevant jurisdiction.

In contrast to the social information in geographic reports, the social information in organisation reports is primarily intended to measure the impact of the relevant entity on social conditions, particularly the social conditions of its more immediate pool of stakeholders. Key issues include labour practices, workplace diversity, health and safety record, respect for human rights (e.g. incidents of discrimination, use of child labour, freedom of association and collective bargaining, and disciplinary practices), workforce training, community relations and interaction, and product responsibility. The types of indicators that are used to gauge performance in relation to these issues varies considerably and includes quantitative (e.g. employee retention rates, mandatory and non-mandatory health benefits paid to employees, expenditure on employee training, average training hours per employee, rates of unionism in workforce, workplace injuries, rates of absenteeism, male-female workforce ratio, expenditure on community projects, and contributions to political parties) and qualitative measures (such as descriptions of relevant policies and breaches of labour, product and advertising laws).

Environmental information

The environmental information contained in sustainability reports usually provides an indication of

the state of natural systems in the relevant entity or area and/or a measure of the impact of the activities of the entity on the natural environment.

In geographic reports, the environmental impact information tends to be focused on the total output of certain pollutants (e.g. greenhouse gas emissions), use of polluting substances (e.g. ozone depleting substances, fertilisers and pesticides), and use of renewable and non-renewable resources. The environmental condition information generally includes data on the stocks of renewable resources (e.g. forest cover and arable land), extent of degradation of renewable resources (e.g. number of commercial fish stocks classified as overfished and area of land affected by land degradation), conservation of biodiversity (e.g. number of threatened species and ecological communities and proportion of threatened ecosystems or communities in reserves), and pollution levels (e.g. concentration of air pollutants).

Organisational reports usually seek to provide only measures of the extent to which the activities of the relevant entity have had an impact on the natural environment. However, they often seek to place their environmental impacts in context, which requires the use of broader environmental indicators. For example, a company could report its water use both as an absolute figure and as a proportion of the total available freshwater resources in the relevant region. Many organisational reports will also include environmental measures that provide an indication of the entity's efficiency in the use of natural resources (what are sometimes referred to as 'normalised measures'). These normalised measures generally relate resource use or pollution generation to outputs. Common environmental indicators include such things as total water use, direct and indirect energy use, use of natural resources other than water, waste generation, greenhouse gas emissions, emission of ozone-depleting substances, clearance of native vegetation, land owned in biodiversity-rich areas, compliance with environmental laws, and environmental expenditures.

Classification systems

As the discussion above illustrates, the relevant measures and indicators on the performance or condition of an organisation or area will not always fit neatly into one of the three sustainability categories. At times, certain information may seem to straddle the categories (aggregate sustainability

indicators are an example). In other cases, the categories may seem inappropriate given the nature of the information.

This has led some to suggest alternative ways of categorising sustainability information. Most of these alternatives generally involve the use of one or more additional categories or the expansion of the existing categories. For example, the UN Commission on Sustainable Development has suggested the inclusion of six 'institutional' indicators to complement its 52 other economic, social and environmental measures. Similarly it has been proposed that a 'government and ethics category' should be included in corporate sustainability reports. The ABS at one time used a four-domain system of reporting covering 'individuals', 'the economy and economic resources', 'the environment', and 'living together' in its Measures of Australia Progress reports.

The other method of avoiding the difficulties associated with the 'economic, social and environmental' classification system has been to create an entirely new system of categories. For example, Sweden has adopted the practice of classifying its indicators under four themes: efficiency, contribution and equality, adaptability, and values and resources for coming generations. Alternative classification systems are most commonly found in reporting systems that are 'goal-based', meaning the reporting framework and indicators are selected on the basis of their ability to provide information on the progress of the organisation or community towards stated objectives.³⁶

Additional issues

As noted in the introduction, the definition of sustainability reports used here does not include reports that deal with only one aspect of sustainability. So, for example, environmental reports, which are becoming increasingly common in both the public and private sector, are not regarded here as sustainability reports. However, reports that deal with one aspect of sustainability could be regarded as a component of sustainability reporting. That is, they may form part of a broader system for reporting on the economic, social and environmental performance of an entity, group or area. Given this and their relative scarcity (particularly in comparison to economic and financial reports), we have included references to single-issue social and environmental reports in the discussions below.

Sustainability reporting should also be distinguished from sustainability assessments. The former involves a retrospective analysis of the economic, social and environmental performance of an entity at a particular time or over a given period or a snapshot of economic, social and environmental conditions at a particular time. By contrast, sustainability assessments involve a prospective evaluation of the impacts of activities, programs and policies on the economy, society and the environment.³⁷

3. Who should have sustainability reporting systems?

The additional costs associated with establishing and operating sustainability reporting systems can be significant and the benefits they provide do not apply equally to all types of business, government and political entities. Therefore, there is a need to identify who should have sustainability reporting systems and why.

3.1 Governments and government agencies

Government accountability is an essential element of democracy. In Westminster-style parliamentary democracies such as Australia, public accountability is achieved through representative and responsible government, meaning that the executive is responsible to parliament, which in turn is accountable to the people. For this system to function effectively, the public needs to have access to information about conditions in society and the performance of governments.

Sustainability reporting systems can also improve decision-making by ensuring that governments have access to a broad range of information on relevant conditions and the impacts of their decisions. Sustainability reporting can help governments to respond to problems swiftly, to shape policies and programs more effectively and thereby to provide higher quality services.

Governments may argue that they already prepare and publish a broad range of data on economic, social and environmental issues. However, there are two main problems with the current government information systems. First, the information is often incomplete and, second, it is often too dispersed to be of use to most people.

Data on the three aspects of sustainability are usually given in separate places, making collation

and analysis a costly and time-consuming process. The information can also be of varying quality and relevance. For example, budget papers are intended to provide a comprehensive source of information on the financial performance and intentions of the government. Yet such an outcome is rarely realised. Certainly, they no longer provide a meaningful insight into how a government's financial performance corresponds with changing conditions. Sustainability reporting systems could help to alleviate some of the problems associated with public access to information and government decision-making processes by providing a single comprehensive source of information on relevant economic, social and environmental issues.

Governments should aim to have both geographic and organisational reporting systems. Geographic reporting will enable the community and decision-makers to gauge short- and long-term trends and conditions. It can also help to ensure that policy signals reach the community and decision-makers in a timely manner and increase the capacity of the community to evaluate government performance on the basis of its ability to achieve economic, social and environmental outcomes.

The establishment of organisational reporting systems for government departments and agencies will also help improve the capacity of the public and parliament to pass judgement on government performance. In addition, these systems could enhance the operation of government agencies by improving access to information and helping to realign managerial objectives with community preferences. The preparation and dissemination of organisational reports by government agencies could encourage a cultural shift in the private sector, both in terms of reporting practices and in substantive outcomes.

Some may argue that placing additional reporting requirements on government agencies will divert scarce resources away from the provision of core services. Although this is a concern, if these agencies are being managed effectively, they should already have access to a range of economic, social and environmental information that is relevant to their performance and activities. Streamlining the collection of this information, standardising its content and presenting it in a form that is suitable for internal and public consumption should improve management systems by highlighting potential risks and opportunities. Further, provided the reporting systems are tailored

to the nature of the organisations, they should not place an undue strain on financial resources.

3.2 Business corporations

Corporate reporting frameworks are a reflection of corporate governance structures, namely, the separation of ownership from management and the obligations on directors to act in the best economic interests of the company. In essence, the reporting systems are intended to ensure that shareholders and creditors are provided with information on which to judge the financial performance of the company and its directors. It could be argued that corporations should be required to establish sustainability reporting systems and publish organisational reports only if this is the wish of their shareholders or creditors: if the market demands it, corporations should provide it.

The public has the right to know how prominent institutions are affecting the wellbeing of the community

Corporations are legal constructs that are supposed to promote the public good. Originally, this function was fulfilled by merely facilitating economic growth. However, the role of corporations has expanded to the point where they are now a principal vehicle of economic activity in our society and play a critical role in directing public policy and shaping our communities. Consequently, the notion that companies should be accountable only to their shareholders and creditors is overly narrow and does not adequately reflect the influence they have on society.³⁸

On this basis, there is a strong argument that corporations should disclose information on their economic, social and environmental performance to the general public to enable interested citizens to evaluate their net impacts on wellbeing. While sustainability reporting systems should be tailored to the needs and interests of external stakeholders, they can provide benefits to the corporation by improving managers' and owners' understanding of the performance of the entity and the impact of its activities.

Corporate sustainability reporting can also engender a greater level of public understanding and acceptance of a company's activities and increase goodwill towards it in the community.

There are costs associated with organisational reporting and a need to ensure that the benefits derived by the disclosure of a broader range of information outweigh the costs of providing it. Due to this, emphasis needs to be placed on proportionality of reporting requirements – ensuring any reporting structures reflect the financial capacity of the entity to provide information and the nature of its activities.

Should corporate sustainability reporting be mandatory? As discussed in Part C, governments, universities and certain corporations have invested a considerable amount of time and money into encouraging the voluntary adoption of sustainability reporting. Despite these efforts, sustainability reporting is still practised only by a very small number of corporations in Australia. Given the failure of corporations to respond to voluntary programs, governments should take steps to make sustainability reporting mandatory.

Three hurdles must be overcome if mandatory corporate sustainability reporting is to be implemented effectively. The first is the boundary or entity problem: when do the social and environmental impacts of one corporation stop and those of other corporations begin? With complex corporate structures and joint-ventures, difficulties can arise in determining when and how to link social and environmental impacts to specific entities. The second is the question of what form mandatory corporate sustainability reports should take. The third is to determine to whom the mandatory reporting requirement should apply. These issues are addressed in Part D in the context of what steps the federal, state and territory governments should take to promote sustainability reporting.

3.3 Not-for-profit organisations

Not-for-profit organisations play an important role in our society. They provide essential public services, facilitate and engage in public debate, represent the interests of different groups in the media and to government, and engage in many other activities that promote the health of our democracy and society. But not-for-profit organisations not only give to the community; they also take. The vast majority of not-

for-profit organisations receive financial assistance from the state, either in the form of tax concessions or government grants. Such organisations have to meet statutory financial reporting requirements and are accountable to government for any funds received from government agencies. Some organisations also provide information to individual donors. However, public accountability needs to extend beyond these requirements.

Given their role in the community and the public benefits they receive, not-for-profit organisations should inform the public about their activities and impact. While there are some more advanced systems in place, for example in the foreign aid sector, many not-for-profit organisations do not present themselves in a professional way for scrutiny by the public. This can undermine trust and confidence in the sector as a whole. The establishment of organisational reporting frameworks may also improve the management of not-for-profit organisations, and there is even some evidence to suggest that donations to these organisations would increase if independent information on their performance were made publicly available.³⁹

Summary

There are good grounds for asserting that governments, government agencies, corporations and not-for-profit organisations should all establish sustainability reporting systems and publish sustainability reports. The public and private benefits associated with the introduction of sustainability reporting would be considerable and, provided the systems are designed and implemented appropriately, the costs should be kept within a reasonable range. Despite the benefits on offer, certain groups have been reluctant to embrace sustainability reporting, particularly public sustainability reporting. Government regulation may be required to overcome these problems. (See Part C for further discussion of these questions.)

4. Optimal frameworks for sustainability reporting

This section discusses two issues associated with the design of sustainability reports and sustainability reporting systems. The first concerns the optimal approach to sustainability reporting. That is, should sustainability reports use an accounts-based,

narrative or suite-of-indicators assessment approach? The second concerns the identification of key criteria for an effective sustainability reporting regime.

4.1 Approaches to sustainability reporting

Accounts-based, narrative and suite-of-indicators assessment approaches to sustainability reporting all have inherent strengths and weaknesses. This section outlines the pros and cons associated with each of these approaches.

Accounts-based assessments

The main advantages of accounts-based reporting systems are the relative simplicity of the outputs and that they are similar to traditional economic reporting systems. That is, accounts-based assessments can generate single composite indicators and line items that are similar to those found in traditional financial and economic accounts.

Although interesting and useful when used in conjunction with other information, accounts-based reporting systems are plagued by methodological and credibility issues. Some of their more important problems include the following.

- Sustainable development is a complex concept that requires decision-makers to consider a wide range of matters. Accounts-based reporting systems can oversimplify the issue by suggesting different aspects of sustainability can be lumped together, reduced to a number or compared using monetary values. This can lead to inappropriate policy signals being provided to decision-makers and the broader community about the progress and sustainability of society or a particular organisation.
- Accounts-based assessments require the allocation of numerical values to items that cannot be accurately measured. For example, the calculation of the Environmentally Adjusted National Product (EANP or Green NNP), Index of Sustainable Economic Welfare (ISEW), Fairfax Lateral Economics Index of Australia's Wellbeing and the Genuine Progress Indicator (GPI) all require a monetary value to be assigned to the depletion of natural capital. However, it is extremely difficult to measure this, due to lack of efficient markets (e.g. there are no efficient markets for clean air, biodiversity, wilderness, hydrological services performed by wetlands) and our lack of knowledge

concerning the operation of natural systems. Consequently, these measures are dependent on rough estimates and are often presented in a format that is of little value to those seeking to devise and implement public or organisational policies. Further, many people object on moral grounds to the assignment of numerical values (particularly monetary values) to non-market items.

- The authors of accounts-based assessments are required to make value judgements when assigning numerical values to items and weighting and adjusting different items. As the ABS has stated in relation to one-number approaches: ‘... any composite indicator is based on some judgment regarding the relative weights to be applied to the components. Is a one-year increase in average life expectancy to be weighted more heavily than, less heavily than or equally with a 5% decrease in greenhouse gas emissions?’⁴⁰

The fact that the reporting system is influenced by the opinions of its authors is not necessarily a negative. However, the nature of accounts-based assessments makes it extremely difficult for non-experts to identify how those opinions have influenced the result. This can reduce the utility of accounts-based assessments in developing policy, shaping public debate and informing stakeholders.

- Many accounts-based assessment approaches focus on flows, rather than stocks.⁴¹ This means they evaluate the flows that are being generated by an organisation or area (e.g. economic output or pollutants emitted per year) rather than the status of the stocks of economic, human, social and natural capital (e.g. how much rainforest do we have left?). As a result, accounts-based assessments often align with the concept of weak-form sustainability as there is no attempt to measure the degree to which the different forms of capital (especially natural capital) are being maintained above specified limits. The emphasis on flows can also reinforce perceptions that the different forms of capital are perfect or near-perfect substitutes, meaning the loss of natural capital is of no concern provided it is offset by a commensurate increase in economic, human and social capital.
- Many accounts-based assessment approaches contain little information about a range of issues

that are central to the concept of sustainable development, such as inter- and intra-generational equity.

- Many accounts-based assessments are calculated by making adjustments to economic measures of progress, such as GDP or personal consumption.⁴² This has led some to argue that these assessments or indicators are merely a modified form of already flawed measures of sustainability.⁴³
- The use of monetary values in some accounts-based assessments can lead to price changes masking changes in physical stocks and flows, thereby providing a distorted picture of the sustainability of the relevant organisation or area.

Narrative assessments

The great advantage of narrative assessments is their adaptability. As circumstances change, so too can the reporting system. This enables the systems to incorporate different statistics and indicators, cover new areas, change focus and present a clear picture on what the authors believe about the sustainability of the relevant organisation or area. Further, while narrative assessments involve subjective decision-making on which topics are covered and how they are covered, the influence of personal opinions on the system’s outputs is often relatively obvious to the audience.

The adaptability of narrative assessment approaches has a downside. It leaves the reporting system vulnerable to manipulation as the authors can easily shape the assessment to present vastly different pictures on performance and outcomes. Even in the absence of an intention to deceive, the flexibility of narrative assessments can lead to misunderstandings and information gaps concerning an organisation’s or an area’s sustainability. These gaps and misunderstandings can undermine the utility of the reporting system as the audience may be unable to tell what information has been omitted, why certain issues have not been covered and how reliable the conclusions are. In addition, the adaptability of narrative assessments can prevent effective trend analysis.

Guidelines and reporting frameworks can help to overcome or reduce the severity of these shortcomings. For example, the pressure/state/response model developed by the OECD has ensured greater consistency, comparability and reliability in state of the environment reporting. Yet, irrespective of what

frameworks are put in place, the nature of narrative assessments means they will always gain and suffer from their flexibility. This is one of the reasons that a suite-of-indicators approach was incorporated into Australian state of the environment reports in 2001.

Suite-of-indicators assessments

The strength of suite-of-indicator assessment approaches is their breadth, comprehensibility and relative objectivity. When constructed appropriately, suite-of-indicator approaches can provide a cross-section of information on sustainability that is easy to interpret and that leaves the job of judging the overall performance or condition of the organisation or area to the audience. By keeping the indicators separate, suite-of-indicators approaches are also able to provide information in a form that can feed into policy-making processes. For example, the suite of indicators may include a measure of homelessness, which can trigger the development of public policies to improve the provision of public housing. Most accounts-based assessments, particularly one-number approaches, are unable to provide this type of information in such an accessible format.

The strength of suite-of-indicator assessment approaches is their breadth, comprehensibility and relative objectivity

These attributes of suite-of-indicator assessment approaches have led to their widespread use and acceptance. The UN Commission for Sustainable Development, OECD, Global Reporting Initiative (GRI), the Governments of the United Kingdom and the United States, Statistics New Zealand, Statistics Canada, ABS and the Australian Department of the Environment and Heritage are among a long list of entities that have developed or adopted a suite-of-indicators approach to sustainability reporting.

Although they have many advantages over other sustainability reporting approaches, suite-of-indicators assessments are not immune from problems. The choice of indicators is always difficult and it involves balancing the desire to be comprehensive with the need to ensure that the intended audience

can understand the information. The presence of too many indicators can swamp the audience, too few can leave it unsatisfied. The indicators chosen can also have a significant influence on the picture of sustainability that is presented to the audience. Those involved in developing suite-of-indicators approaches must be vigilant in ensuring the indicators meet the needs of the intended audience and should seek to select indicators that provide a balanced picture of the condition and performance of the reporting entity.

4.2 Key criteria for effective sustainability reporting

There are nine criteria for effective sustainability reporting: comprehensiveness, comprehensibility, accuracy, verifiability, consistency, timeliness, regularity, sensitivity and flexibility.⁴⁴ Further details of these criteria are provided below.

Comprehensiveness

Comprehensiveness refers to the need to ensure sustainability reporting frameworks provide information on key economic, social and environmental issues. This does not mean that information must be provided on every issue concerning sustainability, but that the reporting system provides information on the most important matters and that it satisfies the needs and wishes of internal and external stakeholders. In essence, it requires the reporting system to be useful and well rounded (i.e. include all material information).

Comprehensibility

To be of use, sustainability reporting systems must generate information that is easy to interpret and apply. There is no use providing information that the intended audience cannot understand or that provides little insight into how conditions can be improved.

Accuracy

The information provided in sustainability reports must accurately reflect the issues, trends and conditions that it purports to reflect. Imprecision can lead to misunderstandings and the provision of incorrect signals to the public and policy-makers. It can also undermine public confidence in the reporting system. A reporting system that is inaccurate will not last.

Verifiability

Closely related to accuracy is the criterion of verifiability, which demands that the information provided can be easily verified. This requires the reporting system to be based on data that are reliable and appropriately documented. If a reporting system cannot be verified it will be vulnerable to abuse and public confidence in the system may suffer.

Consistency

Sustainability reports can serve a number of important purposes, two of which are that they allow decision-makers to measure and monitor trends through time and enable judgements to be made on the relative performance of entities, groups and areas. In order for sustainability reports to perform these functions, the measures and indicators adopted must be consistent. A lack of consistency will diminish the usefulness of sustainability reports and the confidence of users in their relevance.

Timeliness

Sustainability reports must be published in a timely manner. That is, they must be available when they are required by their intended audience and must contain information that is up to date. Reports that are not timely are of little or no value.

Regularity

Sustainability reports should be prepared at regular intervals. Regular reporting allows users to monitor long- and short-term trends, which provides a picture of where the relevant entity or community is headed. Trend analysis is critical for policy development and the proper functioning of democratic processes.

Sensitivity

The indicators and information included in sustainability reports must be sensitive to changes in performance and underlying economic, social and environmental conditions. In the absence of sensitivity, decision-makers and the community will not receive the signals that are necessary to elicit appropriate responses.

Flexibility

Sustainability reporting is in its infancy and the information and indicators that are used are constantly being improved and updated. Sustainability reports must be sufficiently flexible to incorporate

innovations that improve the usefulness of the reports for their intended audience. However, the need for flexibility must be balanced against the need for consistency. Too much or too little change will render a report irrelevant.

5. Problems with sustainability reporting

Sustainability reporting offers many advantages over traditional reporting frameworks and it has the potential to make an important contribution to the reshaping of our society along more sustainable lines. At present, though, it has a number of weaknesses that inhibit its uptake and stifle its effectiveness. Some of these issues are merely teething problems, others are more serious. A brief discussion of some of these issues is set out below.

5.1 Methodological problems

Sustainability reporting is a relatively new phenomenon and it has a number of methodological problems that still need to be resolved. Most of these relate to the development of suitable indicators of sustainability. The more common methodological issues include the following.

- How to measure and assign numerical values to issues that are difficult or impossible to measure (for example, depletion of natural capital, the number of threatened species and ecological communities, social cohesion, community spirit and the health of democracy).
- What aspects of sustainability should the reporting system cover? For example, should sustainability reports focus on the measurement of the stocks of economic, human and natural capital, on flows or both? Which particular economic, social and environmental issues should the system report on?
- How to account for the uncertainty associated with the natural world. For example, how do we measure the likely impacts of climate change when we do not fully understand natural systems?
- How to account for technological changes.
- How to account for the discovery of new resources.
- How to account for so-called 'defensive expenditures' (i.e. the cost of things that are supposed to mitigate negative impacts, for example

expenditure on law enforcement and environmental repair).

- How to account for transboundary pollutants – should the pollutants emitted in one country that affect a neighbouring country be included in the sustainability reports of the emitting or receiving country, or both?

The degree to which these methodological issues cause problems will depend upon what approach to sustainability reporting is adopted. For example, accounting for defensive expenditures may not cause problems in a narrative assessment, but it can be difficult in an accounts-based approach.

One of the major methodological issues that has arisen in relation to sustainability reporting is the so-called entity or boundary problem: when do the economic, social and environmental stocks and flows of one organisation or area stop and those of other organisations and areas begin? This is touched upon in the list above in the context of transboundary pollutants. In an organisational context, these issues can become even more problematic due to the complexity of modern corporate structures and joint-ventures.

5.2 Consistency

The lack of uniform standards governing the development of sustainability reporting systems has led to a proliferation of reporting styles and structures. This makes comparisons between organisations and areas difficult and has arguably impeded the growth of sustainability reporting.

Commendable efforts have, however, been made by a number of organisations to promote greater consistency across reporting systems. At an organisational reporting level, the Global Reporting Initiative (GRI), which is discussed in Part B, is a stand-out. Its mission is to 'develop and disseminate globally applicable sustainability reporting guidelines' for organisations and, while these guidelines are only voluntary, they have played a major role in the development of sustainability reporting systems.

Many organisations have developed standards and guidelines that are applicable to geographic reporting systems. The most prominent of these are the UN Commission for Sustainable Development and the OECD, both of which have produced materials to promote greater consistency in sustainability reporting by and within nations (see Part C for more details).

5.3 Biased reporting

One of the chief criticisms of sustainability reporting is that when done poorly, it can do more harm than good by presenting a biased picture of reality. Such biases can be due to inadvertent mistakes, unavoidable omissions or deliberate attempts to mislead stakeholders. In relation to deliberate actions, the steps taken to mislead stakeholders can include the omission of adverse information, positive presentation of adverse information and the doctoring of data.

A number of studies have found evidence that this has occurred in sustainability reports. For example, a study of Australian companies producing sustainability reports found that:

[s]ome potential bias in the presentation of sustainability/TBL information was observed. In many cases when bad news, such as injuries, was reported, it was couched in positive terms. For example WMC Resources stated after outlining its injury statistics, 'Our injury rate continues to be around one-third of the total Australia metalliferous mining industry average' ... The information provided by corporations was overwhelmingly positive.⁴⁵

The evidence of biased reporting suggests that a growth in sustainability reporting will not necessarily result in any improvements in practices and that it could impede advances by undermining the momentum for change. If stakeholders believe an organisation or society is improving, they are less likely to pressure decision-makers to implement more stringent policies to promote sustainability, even if the improvements are illusory.

One of the chief criticisms of sustainability reporting is that when done poorly, it can present a biased picture of reality

Problems associated with biased reporting should not be exaggerated. All reporting systems suffer from biased reporting and the provision of misleading information. It is an issue that has to be managed, not a ground for abandoning sustainability reporting.

One way to guard against biased reporting is to ensure that sustainability reporting systems are independently audited. In Australia, some sustainability reports prepared by corporations are independently assessed, but many are not audited at all.⁴⁶ The development of audited sustainability reporting systems is hindered by the nature and breadth of information included in the reports and difficulty in verifying sustainability data. As standards and guidelines are further developed, the role of auditors is likely to increase.

5.4 Merging issues and misconceptions

The adoption of sustainability reporting can occasionally be assumed to equate with improved economic, social and environmental conditions and performance. Some people may assume that if an organisation is willing to adopt sustainability reporting, it must be improving its sustainability performance. While this is sometimes true, it is not always the case and some organisations and governments can use the adoption of a sustainability reporting system as a substitute for improved practices.

5.5 When do the benefits of sustainability reporting out weigh its costs?

It is arguable that all types of organisations should report on their environmental, social and economic performance since all organisations have an impact on our collective wellbeing. Some may also suggest that geographic reports should be prepared for all political entities, such as countries, states and municipalities, as the information contained in these reports is essential for effective decision-making and democratic processes. However, the desirability of having sustainability reporting systems must be weighed against the costs of establishing and operating them. At what point does the cost of running sustainability reporting systems and publishing sustainability reports exceed their benefits?

There is no general answer to this question. It can only be answered on a case-by-case basis having regard to the nature of the organisations and entities involved and the type of reporting systems being used or proposed. As noted above, emphasis should be placed on proportionality when designing reporting systems so as to ensure that its net effects are positive.

PART B: Practical Applications

This part discusses ways in which governments and corporations might best approach sustainability reporting. It begins with a discussion of the reasons why different types of reporting regimes are of benefit to corporations, governments and government agencies. It then discusses several important international frameworks and standards for reporting systems. It concludes with references to other useful literature and reports that can help organisations prepare sustainability reports.

6. Why are organisational and geographic reporting systems being adopted?

Sustainability reporting has a number of potential advantages over traditional economic and financial reporting systems. Most importantly, it ensures greater accountability, improves the information available to decision-makers and encourages them to consider the broader ramifications of their activities. However, these advantages alone do not provide a full explanation of why governments, corporations and other organisations prepare sustainability reports.

Set out below is a brief overview of some of the reasons why governments and other organisations adopt sustainability reporting systems. The discussion has been divided into three sections: organisational sustainability reporting, public sector sustainability reporting and geographic sustainability reporting.

6.1 Why do organisations establish organisational reporting systems?

Organisations establish organisational sustainability reporting systems for different reasons, depending on the nature of the particular organisation and the environment in which it operates. In the case of for-profit corporations, the focus of managers is usually on maximising economic returns to shareholders and securing their own financial interests. As a consequence, financial issues are likely to be one of the most important factors when corporations consider whether to adopt a sustainability reporting system. In contrast, not-for-profit organisations and government agencies generally have broader objectives and

are usually less focused on financial returns. The different objectives of these types of organisations may generate a different collection of factors that are likely to influence the decision to introduce a sustainability reporting system.

Not-for-profit entities and industry groups are not discussed here for reasons of space. However, many of the motivating factors are common across all organisations.

Corporate sustainability reports

There are four main reasons why corporations establish sustainability reporting systems: economic benefits, legal and voluntary obligations, social and political pressure and altruism.

Sustainability reporting can be an important marketing and communication tool

Economic reasons

As noted, the focus of corporate managers is usually on maximising economic returns to shareholders and securing their own financial interests. Given this, it is likely that financial considerations will be important in a corporation's decision to adopt sustainability reporting. However, there are a number of different economic motivations for sustainability reporting and their relative importance will vary between corporations. These include the following:

Marketing and stakeholder relations

Sustainability reporting can be an important marketing and communication tool. It provides an opportunity to convey information to investors, customers, employees, insurers, governments, suppliers, community groups and other stakeholders about their performance, impacts and contribution to society. Sustainability reporting allows corporations to communicate with stakeholders on their own terms – they control the release of information and can shape the message.

If done well, such reporting can enhance a company's reputation and help build goodwill with key stakeholders. This can improve a company's financial performance by creating market opportunities (for example, consumers may purchase products from the company because it is seen as being environmentally and socially responsible), assisting in the attraction and retention of quality staff, and improving supply conditions (for example, suppliers may give the company preferential treatment due to its sustainability credentials). It can also help improve a corporation's image in the communities in which it operates and help reduce opposition to its activities (what has been called 'securing a social licence to operate').⁴⁷

Promoting innovation

It has been argued that sustainability reporting can help corporations align their research and development activities with the needs of their stakeholders and, in doing so, facilitate greater innovation.⁴⁸

Pre-empting regulations

Sustainability reporting can be used by corporations as part of a strategy to help them pre-empt regulations concerning reporting or a particular aspect of their operations.⁴⁹ For example, a government may be considering introducing new laws to limit the amount of air pollution that a mining company is allowed to emit. By providing positive information on its economic, social and environmental performance through an organisational reporting system, the company may be able to persuade the government and the community that it is making sufficient progress in reducing the environmental impact of its activities and that the regulations are unnecessary.

Identification of cost savings

Sustainability reporting can provide managers with a framework by which to assess all aspects of a company's performance and activities. This can help them to identify inefficiencies, potential problems and opportunities that may have otherwise gone unnoticed. For example, sustainability reporting can shed light on inefficiencies in production processes, opportunities to increase revenues through the sale of waste outputs, and potential environmental, health and safety liabilities. Managers can then use this information to increase efficiency and economic performance.

Effecting cultural and structural change

Sustainability reporting can be a cost-effective means of altering operational practices. The establishment of a regular public reporting system that includes benchmarks against which different parts of the organisation are measured can help persuade non-executive managers and staff to improve their economic, social and environmental practices and performance.

Capital market benefits

There are two types of potential capital market benefits. First, it has been argued that sustainability reporting can help moderate fluctuations in a company's share price, which can lower the costs of raising financial capital.⁵⁰ The Global Reporting Initiative's *Sustainability Reporting Guidelines* notes that:

Sustainability reporting may reduce volatility and uncertainty in share price for publicly traded enterprises, as well as reducing the cost of capital. Fuller and more regular information disclosure, including much of what analysts seek from managers on an ad hoc basis, can add stability to a company's financial condition by avoiding major swings in investor behavior caused by untimely or unexpected disclosures.⁵¹

The evidence to support this argument is inconclusive. There is some evidence that companies using the GRI Guidelines to prepare organisational reports have lower share price volatility and higher profit margins than their non-reporting competitors.⁵² The greater share price stability may be due to the fact that these reports can provide early signals about risks and opportunities and the capacity of a company to respond to complex issues.⁵³ It may also be attributable to the fact that financially healthy companies are more likely to establish sustainability reporting systems.⁵⁴ However, Australian research has found no relationship between market-adjusted returns and sustainability reporting, suggesting that companies that publish sustainability reports may not be rewarded by the share market for their efforts.⁵⁵

Second, sustainability reporting can assist companies to gain access to alternative sources of capital such as socially responsible or ethical investment funds.⁵⁶ The investment decisions of these funds are usually made on the basis of a collection of economic,

social and environmental factors. Sustainability reports can play an important part in attracting investment from these funds by demonstrating the performance and trends of a company against sustainability benchmarks.

Lowering insurance costs

Sustainability reporting can lower insurance costs by improving the capacity of insurers to evaluate the risks associated with a company's operations and increasing the degree of confidence that insurers have in the ability of the company's managers to control and avoid risks.⁵⁷

Legal and voluntary obligations

Companies are occasionally required by law to produce sustainability reports on either their entire operations or particular activities. These legal obligations can be imposed under legislation and even via private contracts.

There is currently no legislative requirement in Australia for companies to produce comprehensive sustainability reports or adopt genuine sustainability reporting systems. The closest existing requirements are probably those found in sections 299(1)(f) and 1013D(1)(l) of the *Corporations Act 2001* (Cwlth). Section 299(1)(f) requires the directors' reports of certain companies to 'give details of the entity's performance in relation to environmental regulation'.⁵⁸ Section 1013D(1)(l) requires product disclosure statements concerning financial products that have an investment component to include information on 'the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment'.

.....
There is currently no legislative requirement in Australia for companies to produce comprehensive sustainability reports
.....

Although there is currently no legislative requirement for companies to adopt comprehensive sustainability reporting systems, there are a number of mandatory reporting requirements concerning

environmental and social issues. An example is the requirements under the various state and territory legislative instruments concerning the National Pollutant Inventory.⁵⁹ Broadly, these instruments require corporations that exceed specified threshold levels for the use of certain substances or emission of pollutants to submit a report on their emissions to the relevant state or territory environment agency. These reports and other aggregate data are then displayed on the National Pollutant Inventory, which is an internet database maintained by the Commonwealth Environment Department.⁶⁰ A similar reporting system concerning energy use and greenhouse gas emissions has been established under the *National Greenhouse and Energy Reporting Act 2007*. There are also a number of notification and reporting requirements in relation to occupational, health and safety issues.⁶¹ In addition to mandatory reporting requirements, corporations often sign up to voluntarily programs or codes that require them to publish sustainability or environmental reports. An example is the Australian Minerals Industry Code for Environmental Management.

Australian research indicates that many sustainability reports are primarily comprised of information that companies are already required to report on due to legal or voluntarily assumed obligations (Jones et al. 2005a). Organisational reporting systems may merely be providing a convenient format in which to disseminate information that is already available rather than prompting greater disclosure and transparency.

Social and political pressure

The activities of corporations and their relations with communities can give rise to social and political pressure for companies to voluntarily adopt sustainability reporting. Although social and political factors will often be intertwined with economic issues, they can play an important role in convincing managers of the need to establish these reporting systems. These matters can be particularly persuasive in organisations that have been subjected to intense public criticism.

Altruistic reasons

Corporations may report on their economic, social and environmental performance because the directors simply believe it is the right thing to do. The role that altruistic reasons play will vary considerably

and it will often depend on the personalities of the directors and executive managers.

Two studies have questioned corporations about the perceived benefits associated with sustainability reporting. Responses from the most recent report, conducted in 2005, are reproduced in Table 1.

Table 1: Perceived benefits of producing sustainability reports

Perceived benefit	Percentage citing benefit
Reputation enhancement	86
Ability to benchmark performance	68
Operational and management improvements	64
Improved management of risks	62
Gain confidence of investors, insurers and financial institutions	59
Capacity to recruit and retain excellent staff	47
Greater control of environmental disclosure	39
Creation of market opportunities	37
Satisfying a mandatory or signatory reporting need	28

Note: A total of 76 companies provided information on their reporting practices for the study.

Source: Centre for Australian Ethical Research, KPMG and Deni Green Consulting Services 2005, *The State of Sustainability Reporting in Australia 2005*, Commonwealth of Australia, Canberra, p. 32.

The survey responses confirm that economic reasons play a dominant part in corporations' decisions to adopt sustainability reporting systems, with reputation enhancement being by far the most important reason. The number of corporations citing it as a perceived benefit jumped from 70 per cent in 2004 to 86 per cent in 2005.⁶²

6.2 Reasons for public sector reporting

Although government agencies have financial objectives, only rarely are their primary purposes to maximise economic returns. Their main objectives usually involve the provision of a public service, which may include such things as carrying out regulatory

functions, providing policy advice to the government, and administering public welfare, health or environment programs. To their main service delivery objectives are often added explicit and implicit financial, political and managerial objectives such as maximising cost-effectiveness, improving the government's chances of re-election and enhancing the influence and financial interests of the bureaucracy. This collection of objectives makes evaluating the behaviour of government agencies a difficult task and provides a number of reasons why they may adopt sustainability reporting. Some of these are outlined below.⁶³

Improving decision-making processes and coordination between government agencies

The scope of operations of individual government agencies is usually confined to one of the three dimensions of sustainability. For example, the Commonwealth Department of the Treasury and Department of Finance and Administration are generally focused on achieving internal and external economic and financial objectives, while the Department of Health and Ageing usually concentrates on social issues. A by-product of agency specialisation is that it can result in uncoordinated and conflicting actions that undermine the capacity of the government to achieve its overarching sustainability objectives.

Sustainability reporting frameworks can assist to resolve this issue by encouraging agencies to see their actions and objectives in a broader context. This can lead to improved decision-making processes and promote greater coordination between agencies.

Shaping agency culture

The introduction and maintenance of sustainability reporting systems can not only improve decision-making processes and coordination, but can also help change agency cultures. By altering performance benchmarks and signalling a greater concern for a broader range of issues, sustainability reporting can focus staff on achieving whole-of-government objectives. It can also help attract and retain quality staff.

Improving efficiency and cost-effectiveness

All government agencies are subject to financial constraints of some description and they are generally charged with the responsibility of achieving their service-delivery objectives in the most cost-effective manner possible.⁶⁴ Sustainability reporting can assist bureaucrats to improve the cost-effectiveness of their

activities by highlighting inefficiencies, potential problems and financial opportunities. As discussed in the context of corporate reporting, these benefits can include such things as identifying energy waste, potential legal liabilities, and revealing opportunities to recover costs through the sale of waste.

Improving transparency and accountability

Ideally, stakeholders should be able to use public sector sustainability reports to obtain a well-rounded picture of the performance of government agencies on key economic, social and environmental issues and to gauge the impacts of the agencies on sustainability objectives. In this way, sustainability reports can provide an important means of improving the transparency and accountability of governments and government agencies.

Improving stakeholder relations

Sustainability reports can be a highly effective marketing and communication tool. They provide organisations with an opportunity to shape their image and relations with important stakeholders. In the context of government agencies, sustainability reporting can help build the organisation's credibility and improve its relations with stakeholder groups such as employees and suppliers.

Achieving political objectives

Just as sustainability reporting can help shape a particular agency's image, so can it influence public perceptions about a government. Agencies may adopt and use sustainability reporting systems to present a particular image of how the government is performing on economic, social and environmental issues. In doing so, they can help a government achieve its political objectives.

Setting an example for the broader community

Certain government agencies may believe that their adoption of sustainability reporting can influence the reporting trends in the broader community, particularly among the corporate and public sectors. In particular, they may see themselves as setting an example or 'playing the guinea pig' by trialling certain methods of reporting.

Consistency and inter-agency pressure

Government agencies may adopt sustainability reporting with the intention of keeping up with the

trends set by other agencies and to ensure consistency in government reporting frameworks.

6.3 Why do governments and not-for-profit organisations establish geographic reporting systems?

There are four main reasons why governments and not-for-profit organisations establish geographic reporting systems: meeting legal and moral obligations, improving decision-making, influencing social values and promoting policy changes, and politics.

Legal and moral obligations

There are now a number of international agreements that require or encourage parties to establish sustainability or environmental reporting systems. These include Agenda 21, the Framework Convention on Climate Change, the Kyoto Protocol and the Convention on Biological Diversity. Although there are rarely any sanctions for failing to provide this information, the moral force of the agreements is often enough to ensure compliance with the relevant requirements.

Improving decision-making

Some governments have acknowledged that if they are going to adopt sustainable practices they must have better information on economic, social and environmental matters. Sustainability reports provide a convenient vehicle for the presentation of information on these issues, while also providing frameworks that encourage regular, consistent and accurate reporting across these fields. Even in those areas where indicators are underdeveloped and information is lacking, sustainability reporting can improve outcomes by flagging potential areas of concern and encouraging greater consideration of issues that may otherwise have been ignored.

Social values and policy changes

Geographic reports may influence social values and preferences by highlighting trends in economic, social and environmental conditions. Accordingly, governments and non-government organisations may publish such reports in an effort to raise awareness about certain issues, change social values and promote policy responses. For example, a not-for-profit organisation may prepare a geographic report to draw attention to the deterioration in a particular aspect of the environment (e.g. forests and oceans)

and to advocate changes in environment policies. Similarly, a government may prepare geographic reports to encourage greater acceptance of its policies, or to promote the adoption of sustainability policies by other domestic and foreign governments.

Political and reputational reasons

Governments and not-for-profit organisations may also publish geographic reports for political and reputational reasons. For example, a government may publish a geographic report in order to give the impression that it is socially and environmentally aware, while acting in a manner that is unsustainable. Similarly, a not-for-profit organisation may publish geographic reports with the intention of enhancing its relations with a specific government, public agency or corporation.

The reasons why particular sustainability reports are prepared will differ considerably. In certain instances, one factor may be dominant. In others, there may be many motivating factors, some positive for the broader community, others focused solely on the interests of the reporting entity. Gaining an understanding of why a particular report may have been prepared is essential, as it will provide an insight into the messages conveyed and the reliability of the information.

7. International frameworks for sustainability reporting

There are a number of important international frameworks and guidelines for sustainability reporting. These frameworks seek to provide guidance and recommendations for the preparation of sustainability reports. They also seek to help standardise reporting regimes across the world.

This section discusses some of the most accepted and widely used – the Global Reporting Initiative’s (GRI) reporting framework, the UN Commission for Sustainable Development’s *Indicators of Sustainable Development* and the UN’s *System of Integrated Environmental and Economic Accounting*. It also looks at other reporting initiatives developed by the OECD, the European Union and Canada. It concludes with a list of references that can help organisations prepare sustainability reports.

7.1 Global Reporting Initiative

The GRI was launched in 1997 as a dual initiative of the United Nations Environment Programme (UNEP)

and the Coalition for Environmentally Responsible Economies (CERES).⁶⁵ Its aim is to improve the rigour, quality and utility of organisational reporting by developing and disseminating globally applicable voluntary sustainability reporting guidelines.

A large number of entities are now involved in the GRI, including representatives from business, accountancy, investment, environmental, human rights, research and labour organisations. They include some of the largest multinational companies, such as Microsoft Corporation, British Petroleum (BP), Shell, Bayer AG, Ford and General Motors. Australian Organisational Stakeholders include BHP Billiton, National Australia Bank and Lend Lease. Deloitte Touche Tohmatsu, one of the big four international accountancy firms, and the UK Association of Chartered Accountants are also Organisational Stakeholders.

So far, three generations of reporting guidelines have been produced, the latest being in 2006, with an update in 2011.⁶⁶ The ‘sector supplements’, ‘technical protocol’, ‘indicator protocols’ and soon to be released ‘national annexes’, comprise the other parts of the GRI reporting framework.

There are ten principles that are supposed to guide the production of GRI reports (see Table 2). These ten principles, in association with the standard disclosures contained in the guidelines, help organisations establish the topics and indicators they report on. This flexibility means that the framework can be used ‘by organisations of any size, sector, or location’.⁶⁷

Table 2: Reporting Principles for Defining Content and Quality of GRI reports

Defining Content	Materiality
	Sustainability Context
	Stakeholder Inclusiveness
	Completeness
Defining Quality	Balance
	Comparability
	Accuracy
	Timeliness
	Clarity
	Reliability

The GRI reporting framework encourages the use of a combined narrative and suite-of-indicators approach to sustainability reporting. The indicators promoted by the framework are structured according to

a hierarchy of category, aspect and indicator. There are three categories: economic, environmental and social,⁶⁸ which are then subdivided into aspects and indicators. For example, the economic category is divided into three aspects: economic performance, market presence and indirect economic impacts. There are four indicators for the economic performance aspect, three for market presence and two for indirect economic impacts.

The GRI’s aim is to improve the rigour, quality and utility of organisational reporting

For each of the economic, environmental and social categories, the guidelines provide a collection of ‘core’ and ‘additional’ indicators. Core indicators are those that are relevant to most reporting institutions and stakeholders and which organisations should report on ‘unless they are deemed not material on the basis of the GRI Reporting Principles’.⁶⁹ The indicators included in the reporting framework are both quantitative and qualitative, although the preference is for organisations to use quantitative indicators where possible.

Organisations self declare how much of the GRI reporting framework they have applied using a three tiered grading system – A, B and C. If an organisation has their report externally accredited then they receive a plus rating, e.g. A+. The GRI is also available to check the self declared reporting levels that have been applied by individual organisations.

To achieve an A, B or C rating, reports must contain a specified level of information related to profile disclosures, disclosures on management approach and performance indicators, and sector supplement performance indicators. To achieve an A rating related to the latter for example, organisations must ‘respond on each core and sector supplement indicator with due regard to the materiality principle by either ... reporting on the indicator or ... explaining the reason for the omission’.⁷⁰

Two studies on sustainability reporting in Australia found that around 40 per cent of companies preparing sustainability reports use the GRI guidelines to help determine the content of their report.⁷¹ This must be placed in context: most companies do not use a recognised framework of any kind.⁷²

It seems clear that among the companies that use a recognised framework to prepare sustainability reports, the GRI guidelines reporting framework is the most popular. Further, many other frameworks and guidelines complement or build on the GRI, for example Deloitte Touche Tohmatsu’s *Sustainability Reporting Scorecard*⁷³ and the Commonwealth Department of the Environment and Heritage’s *Framework for Public Environmental Reporting: An Australian Approach*⁷⁴ and *Triple Bottom Line Reporting in Australia – A Guide to Reporting Against Environmental Indicators*.⁷⁵

To further promote the use of the GRI in Australia, in 2008, the Commonwealth Government provided funds to the St James Ethics Centre to become a base or hub for GRI reporting in Australia.⁷⁶ Information obtained from the Centre’s website indicates that, in 2008, 57 organisations submitted reports to the GRI, 71 in 2009 and 69 in 2010.⁷⁷

7.2 UN Commission for Sustainable Development

In 1992, the Rio Summit on Environment and Development called for the United Nations to formulate a set of indicators to help countries measure progress towards sustainable development. This task was handed to the UN Commission for Sustainable Development (CSD), which subsequently published a working list of 134 geographic indicators. This working list was then rationalised into a core set of 58 sustainability indicators and guidelines have been published to encourage and assist governments to produce consistent geographic reports.⁷⁸

The latest *Indicators of Sustainable Development* are built around what has been called the CSD Theme Indicator Framework.⁷⁹ They consist of a hierarchy of four categories (or dimensions), 15 themes, 38 sub-themes and 58 indicators. The four categories are social (which has 19 indicators), environmental (19), economic (14) and institutional (six). The themes are as follows.

- Social: equity, health, education, housing, security and population.
- Environmental: atmosphere, land, oceans, seas and coasts, fresh water and biodiversity.
- Economic: economic structure and consumption and production patterns.
- Institutional: institutional framework and institutional capacity.

The *Indicators of Sustainable Development* have been influential in shaping how countries prepare geographic reports and structure geographic reporting systems.

7.3 System of integrated environmental and economic accounting

In response to the work program outlined in Agenda 21, the UN Statistical Division published a highly influential handbook in 1993 on the integration of environmental information into the economics-based System of National Accounts (UNSD 1993). The handbook, which is commonly referred to as the *System of Integrated Environmental and Economic Accounting* (SEEA), established a framework for the creation of satellite national accounts that are intended to stand alongside and complement the conventional national accounts.⁸⁰ The SEEA attempts to describe the interrelationships between the environment and the economy by providing:

- Information on the use of natural resources, the generation of pollutants and waste, expenditure on environmental protection and natural resource management, and changes in the stocks of natural resources; and
- Environmentally adjusted indicators of national wealth, net domestic product, consumption and capital formation.

Although many aspects of the SEEA are experimental and controversial, it has made an important contribution to the field of environmental and sustainability reporting.⁸¹

7.4 OECD reporting initiatives

The Organisation for Economic Co-operation and Development (OECD) has been a major contributor in the development of sustainability indicators (particularly environmental indicators) and environmental reporting. In 1979, it passed a resolution calling on member countries to prepare state of the environment reports and to improve scientific knowledge, information, statistics and indicators on environmental conditions. Since then, state of the environment reporting has become relatively common and the OECD's 'pressure/state/response' (PSR) format (or modifications of it) has become the basis on which most state of the environment reports are prepared.⁸²

The OECD's initiatives in relation to state of the environment reporting have been complemented by its program to develop environmental indicators. This program has generated several sets of environmental indicators that have evolved over the past 15 years. Each set of indicators is designed for different audiences and is intended to serve different purposes. The most important of these is the so-called 'Core Environmental Indicators', which consists of around 50 indicators that are intended to capture the areas of greatest concern to OECD member countries. From this core set is derived the 'Key Environmental Indicators' (about 10–13 indicators) that are designed for the general public. Other important sets of indicators developed by the OECD include the 'Decoupling Environmental Indicators' (which are intended to measure the extent to which environmental degradation and pressure is being decoupled from economic growth) and the 'Sectoral Environmental Indicators' (which provide indicators for specific industry sectors).⁸³

Having played such a crucial role in developing environmental reporting and environmental indicators, the OECD has now turned its attention to broader sustainability reporting. In 2001, it embarked on a program to develop indicators to 'measure progress across all three dimensions of sustainable development'.⁸⁴ This has led to the publication of the *OECD Factbook: Economic, Environmental and Social Statistics series*,⁸⁵ which uses indicators of sustainability to gauge the economic, environmental and social trends and conditions in OECD countries. The Factbook has been published annually since 2005 and is available online. In 2008, the OECD together with the United Nations Economic Commission for Europe (UNECE) and the Eurostat Working Group on Statistics for Sustainable Development prepared a report outlining a framework for measuring sustainable development and a set of core indicators that would allow international comparisons to be made.⁸⁶

Today, the organisation is in the process of developing a framework for the measurement of the 'progress' of societies.⁸⁷ Through a collaborative process involving a series of forums, the OECD hopes to provide a reference point for the measurement of this elusive concept. As those involved in the work note:

People have been thinking about what progress means for at least two millennia. The concept has taken a variety of directions and forms, with various notions gaining favour depending on prevailing political regimes, cultural

influences and environmental conditions. But, in all cases, the notion of progress has been used to take account of those dimensions that are usually missed by more conventional and quantitative definitions of the development of a country/region/community simply based on economic growth. Progress, in other words, takes us back to a broad notion of well-being and welfare, and to how a country/region/community performs and changes over time.⁸⁸

7.5 The European Union's reporting initiatives

Similarly dissatisfied with the use of GDP as a proxy for the overall development or progress of societies, in 2009, the European Commission agreed to a road-map for the development of better 'progress' indicators. The five key actions of this roadmap were to complement GDP with environmental and social indicators, provide near real-time information for decision making, conduct more accurate reporting on distribution and inequalities, develop a European Sustainable Development Scoreboard, and extend national accounts to environmental and social issues.⁸⁹ In June 2011, the European Parliament passed legislation concerning the reporting of environmental economic accounts. Work on the other actions is continuing.

7.6 The Canadian Wellbeing Index

The Canadian Index of Wellbeing (CIW) is a composite indicator that attempts to measure the quality of life in Canada across eight domains: democratic engagement, community vitality, education, environment, healthy populations, leisure and culture, living standards and time use.⁹⁰ Using 64 indicators across these eight domains, change is tracked either up or down, the results of which are then used to calculate a single index. Using 1994 as a base year, the CIW Institute calculated that while GDP rose 33 per cent to 2008, wellbeing rose by only a third of that, or 11 per cent.

Like other indexes, the Canadian Wellbeing Index aims to create public discussion around the question of whether or not life is getting better in Canada. To further facilitate this discussion, the Institute also publishes reports on each of the domains in order to provide more detailed information.

The Canadian Index of Wellbeing is being developed in a collaborative manner involving local and international academic researchers, not for profit organisations and Canadian citizens.

Box 3 below provides a list of sites and documents that may be of use to those concerned with the development of reporting systems.

Box 3 Useful guides for sustainability monitoring and reporting

Information on relevant reporting frameworks and on the development of reporting systems can be found in the following texts.

Organisational reporting

Global Reporting Initiative, <www.globalreporting.org>.

Group of 100's and KPMG's *Sustainability Reporting: A guide*, <www.group100.com.au>.

The Institute of Social and Ethical Accountability's *AA1000 Framework* and *AA1000 Series*, <www.accountability.org>.

Social Accountability International's *SA8000* social accountability system, <www.sa-intl.org>.

Deloitte Touche Tohmatsu's *Sustainability Reporting Scorecard*, <www.deloitte.com>.

The Commonwealth Department of the Environment and Heritage's *A Framework for Public Environmental Reporting, an Australian Approach and Triple Bottom Line Reporting in Australia – A Guide to Reporting Against Environmental Indicators*, <www.environment.gov.au>.

Geographic reporting

Canadian Index of Wellbeing <www.ciw.ca/en/>.

Measuring Ireland's Progress <www.cso.ie>.

Report by the Commission on the Measurement of Economic Performance and Social Progress <www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf>.

The UN CSD's *Indicators of Sustainable Development*, <www.un.org>.

The OECD's *Frameworks to Measure Sustainable Development: An OECD Expert Workshop, OECD Factbook: Economic, Environmental and Social Statistics, Measuring Sustainable Development: Integrated Economic, Environmental and Social Frameworks* and *A Framework to Measure the Progress of Societies* <www.oecd.org>.

The EU's Beyond GDP initiative <www.beyond-gdp.eu>.

General

The Redefining Progress website <www.ecologicalfootprint.org>

PART C: The State of Play in Australia

The object of this part is to provide an overview of sustainability reporting systems in Australia. For this purpose, we have separated sustainability reporting into its two streams: geographic and organisational. Perhaps as a reflection of the historical bias towards economic reporting, sustainability reporting is sometimes used to describe single dimension reports concerning social or environmental issues, particularly state of the environment reports. Although this is not consistent with the definition of sustainability reporting used here, this part discusses genuine sustainability reporting systems and other related reporting systems in order to provide a fuller picture of the range of reporting systems in Australia.

This overview is not meant to be comprehensive but to provide a general guide to the types of reporting systems that have been established.

Sustainability reporting is currently in a state of flux, with growth in some areas and reduced effort in others. At the federal level, there has long been interest in developing a national sustainability reporting framework. The *National Strategy for Ecologically Sustainable Development* from 1992 identified as one of its objects the development of 'an initial set of sustainability indicators for ESD'. It was a decade before any meaningful progress was made on this front when, in 2002, the ABS published the first of its *Measures of Australia's Progress* reports and the federal environment department (then called Environment Australia) published *Are We Sustaining Australia? Report Against Headline Sustainability Indicators*. The *Are We Sustaining Australia?* report contained a suite-of-indicators framework that was supposed to provide the basis for future sustainability reporting. However, the Australian Government abandoned the project and, with the exception of the ABS, effectively abandoned the sustainability reporting space until the 2010-11 budget, when it announced it was establishing a *National Plan for Environmental Information*. This new program aims to develop an integrated national environmental information system and work towards establishing a system of national environmental accounts. In the 2011-12 budget, it was announced that the Australian Government would also establish the *Measuring Sustainability Program*,

whose objective is to 'develop a set of Sustainability Indicators to measure Australia's progress towards more sustainable communities'. At the state and territory level, there has been steady progress on sustainability reporting in some jurisdictions and stagnation in others. Regional and local level initiatives are on the rise, albeit from a low base. According to Mike Salvaris from RMIT University, '[a]t the community and local government level, dozens of projects have developed around local community well-being indicators, as part of a community planning process, and with strong citizen engagement.'⁹¹ In the corporate sector, sustainability reporting remains the exception, although a number of Australia's largest and most well-known companies do produce regular reports.

8. Geographic reporting

The following discussion of the details of Australia's geographic reporting systems is divided into four parts: national, state and territory, regional and municipal.

8.1 National reporting systems

Measuring Sustainability Program

The Measuring Sustainability Program announced in the 2011 budget will result in the development of a set of sustainability indicators with data made available at national, state and where possible, regional levels.⁹² The program is intended to have a particular regional focus in order to better inform decision makers at this level.

Australian National Development Index

Following the momentum built by a number of interested individuals and organisations over many years, at the Australia 2020 Summit in April 2008, participants recommended the creation of 'a National Development Index (NDI) to measure Australia's economic, social and environmental progress.' While the Commonwealth Government has not yet agreed to this recommendation,⁹³ an interim national organising committee has been established and a number of not-for-profit organisations have also given their support for the project.⁹⁴

Advocates for the ANDI would like it to be developed in the same manner as the Canadian Index of Wellbeing, that is with the involvement of academics, not-for-profit organisations and citizens. Like the Canadian index, they are also seeking to calculate a composite indicator and to produce domain reports.

Measures of Australia's Progress

Measures of Australia's Progress (MAP) is a reporting system that has been developed by the Australian Bureau of Statistics (ABS). Like many of its counterparts overseas, the ABS has sought to overcome the problems of using a composite indicator by using a suite-of-indicators approach to data presentation covering all the main dimensions of sustainability. These indicators are structured around three broad domains of progress (society, economy and environment) which have then been broken down into the current list of 17 headline dimensions of progress (including such things as health, education and training, national income, housing, biodiversity and atmosphere). A collection of single indicators is then used to measure trends and conditions related to each headline dimension. The results for each headline dimension are intended to provide an indication of the level of individual, economic, environmental and community progress and the state of the nation as a whole. There are also now five supplementary dimensions

The first MAP report was published in 2002⁹⁵ and since then the reports have been published on an ad-hoc basis, with summary reports now being published in years between full reports. The publications are partially experimental in nature and the ABS is open about its intention to further develop the MAP reports to account for changes in methodology, information and community feedback.

Without doubt, the MAP program is a landmark in geographic reporting in Australia. Not only do MAP reports provide information across the three pillars of sustainability, the indicators that have been selected are relatively comprehensive the system is sensitive to change and, is published on a semi regular basis. There are still gaps in data sets and headline indicators have not yet been developed for several of the headline dimensions but, despite this, the MAP reports are an important achievement.

Headline Sustainability Indicators

In 2002 the Commonwealth Department of the Environment and Heritage published the first in what was intended to be a series of sustainability reports titled *Are We Sustaining Australia? Report Against Headline Sustainability Indicators*.⁹⁶ The reports were supposed to provide a means of evaluating how the nation as a whole stands in relation to the achievement of the objectives of National Strategy for Ecologically Sustainable Development (NSED).

The MAP program is a landmark in geographic reporting in Australia

The core objectives of the NSED were: to enhance individual and community wellbeing and welfare by following a path of economic development that safeguards the welfare of future generations; to provide for equity within and between generations; and to protect biological diversity and maintain essential ecological processes and life-support systems.⁹⁷ These objectives were broken down into 21 'values' and each value was intended to represent one important aspect of the objective. Headline indicators were then selected to reflect or measure progress towards each value. The first report contained 24 headline indicators, although it was intended increase this to 26 when relevant data on land degradation and access to drinking water become available. Additional indicators were also suggested in the report, the purpose being to offer readers the capacity to gain a more comprehensive understanding of trends and conditions relevant to the value in question. In the 2002 report, data were included for only two of the supplementary indicators, the remainder being merely suggestions for the reader and future reports.

Like the MAP program, *Headline Sustainability Indicators* was an important publication that should be commended. On the whole, the indicators selected were well suited to their purpose and the report sets up strong linkages with parent data sets that can be used to extract more detailed information. Social and equity indicators were its main weakness; arguably they do not provide sufficient coverage of the relevant issues. However, in its defence, selecting

appropriate indicators for equity and social issues can be extremely difficult given the breadth of these issues and relative paucity of information.

Unfortunately, the Headline Sustainability Indicators work was abandoned not long after it began and the 2002 report was the first and last. However, the new Measuring Sustainability program may result in the partial resurrection of some of this earlier work.

Balancing Act: A Triple Bottom Line Analysis of the Australian Economy

In May 2005, CSIRO Sustainable Ecosystems and Sydney University published *Balancing Act: A Triple Bottom Line Analysis of the Australian Economy*.⁹⁸ The report is a sustainability analysis of 135 sectors of the Australian economy. Like many other Australian geographic reports, it uses a suite-of-indicators approach. Ten indicators are used to evaluate each sector: three financial, three social and four environmental.⁹⁹ However, unlike many other geographic reports, *Balancing Act* uses an input-output analysis, meaning the impacts of the activities in the supply chain of each sector are 'embodied' in their final indicators. The authors suggest that an 'alternative way to view this triple bottom line report is as a boundary-free life cycle analysis of the Australian economy'.¹⁰⁰

The complexity associated with the input-output analysis gives rise to a number of methodological issues. Yet *Balancing Act* does provide valuable insights into the operation of the economy and the impacts of specific sectors on sustainability. In particular, it fills a gap between standard geographic and organisational reporting.¹⁰¹

Unfortunately, no further updates have been published.

Genuine Progress Indicator

In the late 1990s the Australia Institute created a Genuine Progress Indicator (GPI) for Australia, which is adapted from similar indicators (e.g. Index of Sustainable Economic Welfare and other GPIs) developed overseas.¹⁰² The GPI is an aggregated indicator that is derived by making a series of adjustments to real private consumption spending. The adjustments are intended to refine the measurement of consumption so that it provides a better estimation of wellbeing and accounts for changes in the stocks of capital (economic, human, social and natural).

To achieve a consumption measure that better approximates wellbeing, the GPI includes an estimation of the flows of non-market goods and services (e.g. unpaid housework and community work) and it accounts for income inequality, overwork, underwork, lost time (e.g. time spent commuting), crime and certain externalities associated with economic activity (e.g. the costs of noise pollution, transport accidents and industrial accidents). It also subtracts defensive expenditures (i.e. expenditures undertaken to offset or mitigate a decline in social welfare – for example, expenditure on curing illness or abating land degradation) from private consumption spending, while adding non-defensive government consumption spending to private consumption. To account for fluctuations in the stocks of capital, adjustments are made for increases and decreases in built, financial and natural capital. These include net change in built capital, change in net foreign liabilities and certain long-term costs associated with environmental degradation. The GPI does not attempt to measure fluctuations in human or social capital.

As the calculation method suggests, the GPI's main objective is to provide an alternative catch-all indicator of wellbeing to GDP, because while GDP was only intended to provide a measure of market activity, it is widely used as a measure of societal wellbeing and progress. As mentioned, this generates a tendency within society (particularly among politicians and the media) to place undue emphasis on stimulating market activity, as measured by the GDP, rather than focusing on the things that are likely to make us happy. The GPI seeks to confront this problem by offering a single indicator that provides a more accurate, if still incomplete measure of wellbeing.

Like other aggregate, one-number indicators, the GPI has several methodological weaknesses, the most important of which are the subjectivity associated with its calculation and its need to place monetary values on non-market items. In this sense, it could be argued that the GPI's mission is to replace one inaccurate and inappropriate wellbeing indicator with another inaccurate and inappropriate indicator.

Despite the weaknesses of the GPI, it may help to reinforce arguments against the use of GDP as the catch-all measure of societal progress. It also invites people to question the custom of associating growth in economic activity with greater happiness. While GDP continues to be used as a measure of progress, there is a case for continuing to produce a GPI.

The Australia Institute published the first GPI report in 1997 and another was published in 2000.¹⁰³ No further updates have been published since and none are planned but there are other indices being developed drawing on the work done on the GPI.

Monthly Statistical Bulletin

The Commonwealth Parliamentary Library publishes a report, known as the *Monthly Statistical Bulletin*. Most of the indicators in the report are economic in nature, and include such things as the number of employed and unemployed persons, unemployment rate, average weekly earnings, Consumer Price Index (CPI), GDP, motor vehicle sales, prime interest rate and foreign debt. The economic focus of the report reduces its usefulness as a single source of information on trends in sustainable development. However, it is a valuable resource for those seeking a brief overview of the condition of the Australian economy and is available online through the Australian Parliament House website.¹⁰⁴

Key National Indicators

The ABS publishes an online report called *Key National Indicators*,¹⁰⁵ which is very similar to the *Monthly Statistical Bulletin*. It contains a summary of the main economic and social indicators, such as GDP, interest rates, CPI, wage price index and the unemployment rate. Like the *Monthly Statistical Bulletin* report, its focus is primarily on economic trends.

State of the Nation

In the 1990s and early 2000s, the Centre for Independent Studies published a series of reports called *State of the Nation* that provide a narrative-based assessment of progress in Australia. The focus of the reports is on the economic and social dimensions of sustainability, with discussion built around statistical information on such things as immigration, the number children in single-parent families, abortion rates, crime rates, university enrolments, levels of welfare dependency, taxation levels and government expenditure. The fourth edition was published in 2004, and none have been published since.¹⁰⁶

Australian state of the environment reports

In 1996 the first full-scale, national state of the environment report was prepared under the direction of an advisory council.¹⁰⁷ The report used a modified

form of the OECD pressure/state/response (PSR) model to describe the pressures on the environment, the condition of the environment and the main community and government responses. One of the most noticeable modifications in the PSR model adopted for the 1996 report is that it includes information on cultural aspects of the environment.

Since the passage of the Environment Protection and Biodiversity Conservation Act 1999 (Cwlth) in 2001, the Federal Environment Minister is now required to ensure that a national state of the environment report is prepared every five years.¹⁰⁸ The last one was published in 2011.¹⁰⁹

Unfortunately, the value of these reports as a source of independent information and analysis has diminished since the first report was prepared in 1996. For the 2001 and 2006 reports, the 'response' part of the PSR model was largely dropped with the small amount of information left in often more propaganda than analysis. Furthermore, there has been a disturbing shift in the way the reports are being prepared. The 1996 report was written by scientists and the advisory committee. Subsequent reports in 2001 and 2006 were drafted largely by the Commonwealth Environment Department with the advisory committees responsible for the actual written preparation of only a small part of the reports themselves.¹¹⁰ The 2011 report was again produced by an advisory committee but this was still with substantial input from the Department.¹¹¹

Australia's Environment: Issues and Trends

In 2001 the ABS published the first edition of *Australia's Environment: Issues and Trends*.¹¹² The report differed from previous ABS environment reports in that it covered only a selection of topical environmental issues. Although initially intended to be an annual report, only five have been published since 2001, with last in 2010. The Issues and Trends reports are a useful source of data on important issues. The reports are also readily understandable by a lay audience.

National Land and Water Resources Audit and national environmental accounts

The National Land and Water Resources Audit was established in 1997, as an initiative of the National Heritage Trust (NHT). The objective of the audit was to 'provide data, information and nationwide assessments of Australia's land, water and biological

resources to support sustainable development'.¹¹³ The audit had four strategic directions:

- Coordinate and foster the collection and collation of data and information as a basis for reporting on national natural resource management indicators;
- Promote the development of linked natural resource management data and information systems;
- Facilitate the ongoing collection, collation, integration and management of data and information that will inform natural resource management decision-making; and
- Develop partnerships and linkages across government, industry and regional organisations to improve knowledge of the impact of the productive use of natural resources on the environmental, social and economic aspects of the Australian landscape.¹¹⁴

The first phrase of the audit (1997–2002) focused on the provision of a baseline of information on the condition of Australia's natural resources. This resulted in the publication of reports on a wide range of natural resource issues, including landscape health, agriculture, biodiversity, water resources, native vegetation and dryland salinity. These reports now form part of the web-based Australian Natural Resources Atlas, which provides a wide range of information on Australia's natural resources.¹¹⁵

Under the second phase of the audit (2002–07), the emphasis was on 'providing data and information that will underpin the monitoring and evaluation of investment by the Australian Government and State and Territory Governments and regional organisations in improved natural resource management'.¹¹⁶ This involved the provision of information under the National Natural Resource Management Monitoring and Evaluation Framework,¹¹⁷ which set out a range of possible indicators that are intended to assist in monitoring the effectiveness of the NHT and the National Action Plan for Salinity and Water Quality.¹¹⁸

Nearly two years after the NHT and the National Action Plan for Salinity and Water Quality ceased in June 2008, the Commonwealth Government announced the creation of the National Plan for Environmental Information.¹¹⁹ This plan includes a commitment to establish a framework for the delivery of national environmental accounts, and which should

thus build upon the work delivered by the audit. The Australian Bureau of Meteorology and the Environment Department have responsibility for the development of this framework.

Social dimension reports

Australian Social Trends is an annual report published by the ABS, which, since 1994, has described the changing face of Australian society.¹²⁰ Each chapter covers an area of high social interest. The first seven chapters cover the same area each year (population, family and community, health, education and training, work, economic resources and housing), while the eighth chapter contains a number of feature articles that cover issues of specific public-policy interest.

Each report also includes updated summary tables for each area of interest. These summary tables cover a 10-year period at the national level. In addition, reports include state by state comparisons to show how wellbeing is changing between states and territories and information on how Australia is performing in comparison with major OECD countries, trading partners and our closest neighbours.

More specific information about the nature and health of our society is published by the Australian Institute of Health and Welfare. *Australia's Health* is a biennial publication that covers patterns of health and illness for the entire population as well as specific groups, determinants of health, the availability of and access to health services and the level of health expenditure. The last report was produced in 2010, and is the twelfth in the series.¹²¹

Like *Australia's Health*, *Australia's Children* is another suite-of-indicators report prepared by the AIHW.¹²² It covers the current and long-term health and wellbeing of Australian children and the factors that affect it. Four reports have so far been prepared, the latest in 2009.¹²³ Both reports are useful sources of information on their relevant areas.

Ecological footprint

Ecological footprint analysis seeks to measure the amount of productive land and water area needed to support the resource demands and waste requirements of a population, community or activity. It is a partial indicator of environmental sustainability and does not attempt to shed light on purely social and economic aspects of sustainable development. The sole objective of ecological footprint analysis

is to evaluate the flows to and from natural capital, that is, how much of the Earth's biological or regenerative capacity is required to support our activities. It is partial in the sense that it does not seek to measure all environmental impacts of human activities, only those related to the environment's regenerative capacity.

Broadly, the ecological footprint of a country is calculated by estimating the nation's consumption (which involves adding imports, and subtracting exports from domestic production) and then converting this into a measure of the biologically productive area that is required to produce the resources consumed and to assimilate the wastes generated over the relevant period. To ensure comparability, a common unit is used: global hectares or global acres. One global hectare is equal to one hectare of biologically productive space with 'world average productivity'. The country's footprint is then compared to its biological capacity (or biocapacity) to determine whether it is living within its regenerative capacity. If a country's ecological footprint exceeds its biocapacity, it is said to have an ecological deficit. To generate an ecological deficit, a country can either run down its natural capital (ecological overshoot) or import biocapacity from other countries (run an ecological trade deficit). If a country's footprint is less than its biocapacity, it is said to have an ecological reserve.

A number of organisations have attempted to calculate Australia's ecological footprint. WWF International publishes regular reports every few years known as the *Living Planet Reports* that include an estimation of the per capita ecological footprint of a number of countries, including Australia. The 2010 *Living Planet Report* found that Australia had the eighth-highest per capita ecological footprint in the world behind the United Arab Emirates, Qatar, Denmark, Belgium, the United States, Estonia and Canada.¹²⁴

As with other one-number indicators, ecological footprint analysis has methodological problems. It is also an incomplete environmental sustainability indicator as it focuses on those aspects of the environment that generate goods and services for humans. Thus it excludes many important environmental issues such as biodiversity loss. However, it is reasonably comprehensive and, as time progresses, attempts are being made to address its methodological problems. At the very least, ecological footprint analysis provides a useful general indicator of global

and national trends in relation to the depletion of natural capital.

Environmental Sustainability Index and the Environmental Performance Index

The Environmental Sustainability Index (ESI), published by the Yale Centre for Environmental Law and Policy and the Centre for International Earth Science Information Network at Columbia University was based on 21 indicators, which fell into five categories: environmental systems, reducing environmental stresses, reducing human vulnerability to environmental stresses, societal and institutional capacity to respond to environmental challenges, and global stewardship.¹²⁵ Seventy-six data sets were used to provide the information required to compute these indicators.

The higher a country's ESI score, the more favourably positioned it was to maintain the quality of its environment. In 2002, Australia was placed in the 16th position in the world.¹²⁶ In 2005, Australia's ESI was 61.0 (the 13th highest score) suggesting that Australia is now better placed to take care of its environment.¹²⁷ Since 2006, the Environmental Sustainability Index has been replaced by the Environmental Performance Index. The later differs from the ESI in that it is based on 25 performance indicators covering 10 policy areas. The indicators are also intended to be more 'outcome' focused. In 2010, Australia was ranked 51st out of 163 countries.¹²⁸

As noted above, there are numerous methodological problems associated with indexes of this type. The value of such indexes in assisting public policy making is also questionable because while they may be a helpful descriptive measure, they do not provide any guidance as to the type of policies that are needed.

8.2 State and territory reporting systems

A number of states and territories now have sustainability reporting systems, although they differ in comprehensiveness and quality.

The Queensland Government has established 'Towards Q2: Tomorrow's Queensland'.¹²⁹ The Q2 is framed around five ambitions and 10-long-term measurable targets that address current and future challenges for Queensland in the areas of economy, lifestyle, environment, education, training, health and communities. Progress is reported in a Q2 annual report. The last was for the year 2009-2010.¹³⁰

The Tasmania Together project is a 20-year economic, environmental and social plan for the state of Tasmania that was shaped by the community.¹³¹ According to the architects of the project, Tasmania was the first Australian state to attempt such an initiative and while there are some overseas examples, there is general acceptance that the Tasmanian model is based on the most extensive community consultation. Following a major revision of the project in 2006, the number of goals and benchmarks were consolidated from 24 goals to 12 and from 212 benchmarks to 143. However, in 2009, the Tasmanian State Government endorsed 35 new and revised benchmarks. A progress report on the Tasmania Together project is now produced every two years, the last one in 2010.¹³²

Like Tasmania, the South Australian Government produced a State Strategic Plan in 2004, which was subsequently reviewed in 2010 with the assistance of the state's Community Engagement Board. The new 2011 plan contains 100 revised and new targets related to community, prosperity, environment, health, education and ideas.¹³³ An independent statutory authority prepares a report which reviews progress against the targets every two years.

In 2001 the Victorian Government initiated the Growing Victoria Together project, which was supposed to help balance environment, economic and social considerations and be used in making budget and policy decisions. Three progress reports, and an update in 2005, have been published to date. In addition, Victoria's Environmental Sustainability Framework, *Our Environment Our Future*, sets out strategic directions for achieving environmental sustainability.¹³⁴ In 2006, an action statement was also produced. Sustainability Victoria and the Commissioner for Environmental Sustainability have reporting roles under that framework.

The ACT Government has published several reports on progress and sustainability in the territory. The first of these was published in 1999 and was titled *State of the Territory Report: Improving our Quality of Life in Canberra*.¹³⁵ In 2004, the ACT Government produced a similar report called *Measuring Our Progress: Canberra's Journey to Sustainability*.¹³⁶ The report measured Canberra's progress in relation to 11 core dimensions of sustainability and the ecological footprint of the Canberra area. A website, with an online report card, has now replaced the production of these periodic reports.¹³⁷ The online reporting

system is also now aligned with the strategic themes of *The Canberra Plan: Towards Our Second Century*, which was last reviewed in 2010.¹³⁸

According to the state government, Western Australia was the first Australian state to develop a comprehensive sustainability strategy.¹³⁹ The first progress report under this strategy was published in 2004.¹⁴⁰ Little appears to have been done since.

In 2011, the New South Wales government released its new 10 year state plan which has 32 goals and 180 targets.¹⁴¹ A report to Parliament on the implementation of the plan will be provided annually, and the data contained in the report will be independently verified.¹⁴²

In addition to the state- and territory-based sustainability reporting systems, the ABS has established an internet database called the National Regional Profile that provides a suite of statistical indicators covering sustainability issues at a state and territory, regional and local level. The emphasis of the profile at present is on economic and demographic indicators, although social and environmental indicators are included where possible. The National Regional Profile was launched in 2004 and the ABS has indicated that it intends to continue to expand the database to include a wider variety of indicators and time-series data. The latest National Regional Profile covers the years 2006 to 2010.¹⁴³

Using data gathered during the national census, the ABS also published a series of reports and data tables including the 2001 and 2006 *Census Basic Community Profiles and the 2006 Socio-Economic Indexes for Areas*.¹⁴⁴ These online reports and data tables provide statistical information on economic and social issues at a state and territory, regional and local level.

Environmental focus

With the exception of the Northern Territory, all Australian states and territories produce state of the environment reports. The Australian Capital Territory, New South Wales, Western Australia and South Australia have been producing state of the environment reports for nearly two decades (South Australia produced its first state of the environment report in 1988),¹⁴⁵ while Queensland and Tasmania have each produced three reports since 1997.¹⁴⁶ Victoria produced its first report in 2008 and the next one will cover the period 2009 to 2013.¹⁴⁷ In most cases there is a statutory requirement to prepare state of the environment reports on a regular basis (typically every three to five years).

The Australian Capital Territory, New South Wales, Queensland, South Australian, Victorian and Western Australian governments have all produced ecological footprint analyses for their jurisdictions.¹⁴⁸ Charles Sturt University has also done one for the Northern Territory.

.....
 With the exception of the Northern Territory, all Australian states and territories produce state of the environment reports

8.3 Regional reporting systems

There are few examples of genuine sustainability reporting systems at the regional level. The focus tends to be on the production of single-dimension reports, although efforts are being made to address this issue. Some of these are discussed below.

Since 2001, the Australian Local Government Association (ALGA) has commissioned the compilation of an annual *State of the Regions* report.¹⁴⁹ There are currently 67 regions, which are comprised of local government areas that are classified as either Knowledge-intensive regions, Dispersed Metro, Independent City, Lifestyle regions, Resource based and Rural Regions. Specifically, the aims of the report are to:

- Present the latest statistical indicators of how Australian regions are performing;
- Analyse the indicator trends in terms of growing equality and inequality between Australian regions;
- Make suggestions for the policy implications of current Australian regional performance;
- Steadily expand the indicators used to measure regional performance;
- Describe the reality of regional economics;
- Assist local governments to understand their regions and to provide useful planning tools; and
- Critically examine national issues from a regional perspective.¹⁵⁰

As noted above, the ABS has also established the National Regional Profile and published *Census Basic*

Community Profiles as well as other data sets. All of these contain statistical information for the regions within each state and territory (called statistical divisions and subdivisions). The focus of these profiles is on economic, demographic and, to a lesser extent, social information. The ABS has indicated it intends to expand the National Regional Profile's coverage over time.

Some reporting systems have been established that focus on specific regions or a collection of regions. The Outer Eastern Regional Sustainability Indicators Project in Victoria was one example.¹⁵¹ This project, which began in 2003 and continued until 2008, involved the Cities of Knox and Maroonah, the Shire of Yarra Ranges and the Centre for Regional Development at Swinburne University of Technology. The aim was to develop a set of indicators that could track the region's economic, social and environmental progress over time.

Other ongoing initiatives include the work of the Shore Regional Organisation of Councils (SHOROC), a collaboration of the Manly, Mosman, Pittwater and Warringah councils in the north of Sydney. In 2004, they produced a document titled *SHOROC State of the Economy Report*, which contained a range of information on regional economic and social conditions and was meant to assist in the development of sustainable planning policies.¹⁵² SHOROC now publishes a regional state of the environment report on an annual basis,¹⁵³ a SHOROC regional community profile using census data, a regional economic profile, and in 2011, the organisation released a regional sustainability strategy.¹⁵⁴ In the near term, SHOROC also plans to release a bi-annual 'Health of the Region' report using a suite of indicators to report on five areas: health and wellbeing, natural environment, built environment, jobs and economic development and leadership.¹⁵⁵ The independent, not for profit, Hunter Valley Research Foundation produces a selection of 'sustainability' orientated reports for the Newcastle and Hunter Valley region in New South Wales.¹⁵⁶ The organisation publishes a regional economic indicators report on a quarterly basis, a 'wellbeing watch' every two years, and a report on environmental attitudes every year.

In 2005, the Outback Areas Community Development Trust published a report on the economic, environmental and social condition of South Australia's outback.¹⁵⁷ Seventy indicators were used to compile the report.

Several sustainability reporting initiatives have also been established in an attempt to assist in the implementation of regional policies. They include the indicators developed for the reviews of the regional plans in Queensland. For example, every five years a suite of indicators is used to prepare a 'State of the Region' report for south-east Queensland in order to inform the review of the south-east Queensland regional plan.¹⁵⁸ The 'state of the region' report covers a full range of social, environmental and economic issues for the region.

Regional environmental reports have also been prepared in a number of contexts. Examples include the reports prepared by the Great Barrier Reef Management and Planning Authority (GBRMPA) and the Wet Tropics Management Authority (WTMAR) on the condition of the Great Barrier Reef and the Wet Tropics of Queensland respectively. Information on regional environmental issues was also provided in the Australian Natural Resources Atlas that was established as part of the National Land and Water Resources Audit.

As mentioned, the Measuring Sustainability program is also intended to result in the development of sustainability indicators at a regional level.

8.4 Municipal reporting systems

Geographic reporting at a municipal or local level is on the increase (albeit from a low base). Victoria has been, and remains, the leader in the field. From January 2005 until July 2006, the Victorian Community Indicators Project supported local governments in their efforts to develop and use community indicators as tools for measuring health and wellbeing outcomes, community planning, improving citizen participation and policy making. The project, which involved extensive consultation with the community, government, and academia, resulted in the development of a framework of indicators for measuring the wellbeing of Victorians. This framework is now being used by Community Indicators Victoria, a collaborative project funded by VicHealth and the University of Melbourne.¹⁵⁹ Using the indicators, Community Indicators Victoria has developed wellbeing reports for metro and non-metro local government areas in Victoria. In addition to these reports, the website allows users to create their own live reports using the online data. Salvaris notes that:

In the past five years, strong advances have been made in the use and development of local

community wellbeing indicators in Victoria. They have higher recognition and are more valued; there is stronger community and Council base of users and supporters, and increased use of indicators in community planning. Legislation requiring Council to develop 4-year local wellbeing plans has reinforced the importance of reliable community indicators. With the establishment of Community Indicators Victoria (CIV), a solid and accessible resource base has been created for a uniform system of state wide community wellbeing indicators.¹⁶⁰

The work done in Victoria has since spread to Queensland with the development of the Community Indicators Queensland project, which is very similar to the Community Indicators Victoria project.

In New South Wales, and to a lesser extent Victoria, the former Community Indicators and Local Democracy Project involved a collaboration of several councils (including Waverley, Queanbeyan, Moreland and Surf Coast) who were attempting to create a suite-of-indicators reporting system for their communities based upon local priorities. In 2005, the findings of the project were released, and they are now being used by these Council's in their reporting efforts. Other local government reporting initiatives are shown in Table 3.

Table 3: Local government reporting initiatives

Local government	Reporting initiative
Glenorchy City Council, TAS	Sustainability reporting system for Glenorchy Community Plan
Hurstville Council, NSW	'Hurstville Snapshots' published every four years and annual community wellbeing report
Newcastle City Council	Indicators of a Sustainable Community Project, 2005. New indicators to be published in 2012 as part of the Community Strategic Plan
City of Onkaparinga, SA	Online Community Wellbeing Monitor
City of Salisbury, SA	Indicators for Sustainable Futures Salisbury City Plan 2020
Sutherland Shire Council, NSW	Four yearly 'State of the Shire' report covering environmental and social issues
City of Wodonga, VIC	Economic Indicators report

The ABS's National Regional Profile database, Census Basic Community Profiles and Census Snapshots also provide a range of statistical indicators on local areas (called Statistical Local Areas). As noted above, however, at present there is a limited amount of information in these profiles concerning social and environmental issues.

Geographic municipal environmental reporting is also on the increase. In New South Wales, there is a requirement that the annual reports of all councils include a report on the state of the environment in the local area.¹⁶¹ Some local councils have also prepared ecological footprint analyses for their municipalities.¹⁶²

Summary

At the national level, a number of high-quality geographic sustainability reporting systems have been established. Some good initiatives have been undertaken at the state and territory level, but there are significant reporting gaps and there is a lack of uniformity in the reporting approaches that have been adopted. The same is also true of regional and local reporting systems.

9. Organisational reporting systems

Several government initiatives have attempted to encourage organisations to produce sustainability or environment reports. Two examples are the *Framework of Public Environmental Reporting* (2000) and *Triple Bottom Line Reporting in Australia – A Guide to Reporting against Environmental Indicators* (2003), both of which were produced by the Commonwealth Department of the Environment and Heritage.¹⁶³ Despite these initiatives, the available evidence suggests the level of sustainability reporting in Australia is still low and below the levels in a number of other developed countries.¹⁶⁴

9.1 Public sector reporting systems

Sustainability reporting is now an established practice within some government agencies, although the quality and nature of the reporting systems varies considerably. In most cases these reports focus exclusively on the internal sustainability performance of the organisation (e.g. paper use, electricity consumption, staff turnover). However, on occasion, some government agencies also include information on the economic, environmental

and social impact of the programs or services they deliver.

All of government reports

Since 1995, the Productivity Commission, in collaboration with the Commonwealth, state and territory governments, has produced an annual *Report on Government Services* that evaluates the effectiveness and efficiency of government services.¹⁶⁵ The services that are reviewed in these reports include early childhood, school education, vocational education and training, police, courts administration, corrective services, protection and support services, health and housing. Notable omissions include services related to planning and the environment.

Sustainability reporting is now an established practice within some government agencies

The reports use an agreed set of indicators to organise and present information about service delivery. They contain valuable information about government performance but do not analyse the strengths and weaknesses of government policy.

Australian Government reports

Intergenerational Report

Under the *Charter of Budget Honesty Act 1998* (Cwlth), the Treasurer is required to publish an intergenerational report on the 'long term sustainability of current Government policies' every five years.¹⁶⁶ The first of these reports was published in May 2002 as one of the annual budget papers.

Although the Act does not define sustainability, the first intergenerational report's sole focus was on fiscal sustainability, which the report defines as 'the government's ability to manage its finances so it can meet its spending commitments, both now and in the future'. The report argues that one of the key requirements for achieving fiscal sustainability is 'a balanced budget over the medium to long term'.¹⁶⁷

Having established these parameters for sustainability, the 2002 report proceeds to outline the Australian Government's successes in generating surpluses and lowering Commonwealth general government net debt. The report also discusses the uncertainties

the Commonwealth is likely to face over the next 40 years (e.g. demographic and economic changes) and the potential impacts of these uncertainties on the financial sustainability of existing policies.

The first intergenerational report had a number of weaknesses, including its strong political overtones, narrow focus, failure to evaluate a wider range of different economic and demographic possibilities and the absence of a detailed discussion on the distributional issues associated with the projected higher household incomes and greater pressure on the federal budget.¹⁶⁸ Despite its weaknesses, the report does provide a useful insight into possible future fiscal trends and is a welcome initiative by the Commonwealth. The 2010 report, prepared under the Rudd Government, took a broader approach to sustainability and included chapters on 'a sustainable society', which covered relevant social and environmental issues, and 'climate change and the environment'.¹⁶⁹

Departmental reports

At the Commonwealth level, the Departments of Family and Community Services and Environment have produced a number of organisational reports.¹⁷⁰ The former has been the most prolific, producing eight reports since it produced the first Commonwealth department sustainability report in 2002-03. In 2003, and then again in 2009 and 2011 the Department of Defence produced a public environment report, but as its title suggests, it was limited to the department's environmental performance.¹⁷¹ In 2008, the Department of Defence also produced a state of the environment report for its Shoalwater Bay Training Area.¹⁷²

Questions have been raised about the value and quality of some of these reports. In an interview given for a research project on sustainability reporting in Commonwealth Departments, a staff member working on the Department of Family and Community Services reporting program said that the reasons why it was producing a sustainability report and who the report was intended for were not clear.

I still don't know to this day why we're doing the report really, and who the stakeholders are. Terrible thing to say if we think we're doing reporting well.¹⁷³

In addition to stand-alone sustainability reporting, since 2000, all Commonwealth agencies have been required to set out in their annual reports their environmental performance and contribution

towards ecologically sustainable development.¹⁷⁴ In 2002-03 the Commonwealth Auditor-General conducted a review of sustainability reporting in Commonwealth agencies and found that the level of compliance with this statutory requirement was relatively low and that there was 'considerable scope for improvement in relation to the quality of agencies' annual reports; especially in relation to compliance with the EPBC Act and articulating agencies' contribution to broader ESD outcomes.¹⁷⁵ The review also found that there was a widespread view among agencies whose primary functions did not specifically relate to environmental policy that ecologically sustainable development was not relevant to their activities. Some also believe that an annual report is the wrong place for the type of information. Speaking about the EPBC reporting framework, one bureaucrat said:

It's a real tick and flick. I haven't ever found it useful and I think it's a real shame. But I don't think you can do much in terms of environmental reporting in the annual report ... The timeframe's not right and it's a different sort of reporting. The Annual Report usually, despite the fact that it's supposed to be very factual, is fairly glossy and upbeat and you're trying to make everything look good. The Sustainability Report should be factual, trying to say "This is what we've done," "No gilding the lily," "We've got work to do," you know, "There are issues here." So I haven't found it very useful at all.¹⁷⁶

The Hawke review of the EPBC Act recommended that while the public sector reporting provisions should be retained, the Minister should publish reporting specifications in the regulations to improve reporting quality.¹⁷⁷ The Government has agreed with this recommendation.¹⁷⁸

State and territory government reports

Some states and territories have made progress in promoting organisational reporting. However, even in those states and territories, there are significant gaps and differences in the reporting systems that have been established. Few state and territory government departments currently prepare sustainability reports on their operations. By contrast, organisational reporting is more common among government business enterprises. Some examples

of organisational reporting at the state level are discussed below.

In the ACT, all public authorities are required to prepare annual reports that examine the organisation's contribution to ecologically sustainable development. This includes compliance with relevant legislation and the measures they are taking to mitigate negative impacts and to improve performance.¹⁷⁹

In South Australia, the Office of Sustainability in conjunction with the Department of Premier and Cabinet has developed a series of measures to help agencies report on their environmental performance. At this stage, it appears that only a small number of agencies (such as the Department for Environment and Heritage) have established environmental reporting systems.

The Western Australian State Sustainability Strategy, released in September 2003, indicates that 'the annual reporting framework for government agencies will be reviewed to incorporate sustainability reporting, including through key performance indicators'.¹⁸⁰ The 2004 Sustainability Code of Practice for Government Agencies similarly anticipates that indicators will be developed for agency sustainability reporting and that a web-based sustainability reporting system will ultimately be established. The Code further states that '[t]his system will later be extended to incorporate detailed reporting against agency Sustainability Action Plans developed in response to the Sustainability Code of Practice for Government Agencies'.¹⁸¹ To date, neither the indicators nor the web-based reporting system have been developed.

In Victoria, financial reporting rules require agencies to report on energy and water use to the Department of Treasury and Finance.¹⁸² Individual agencies are also required to prepare an environmental management system and have it audited by an external accredited private auditor. Audit reports must then be submitted to the Commissioner for Environmental Sustainability, who is responsible for preparing an annual strategic audit report on whole of government performance.¹⁸³

As noted, sustainability reporting by state-owned public companies or government business enterprises (GBEs) appears relatively commonplace.¹⁸⁴ Possible reasons for this include the fact that many GBEs have a high exposure to environmental risks and are already subject to government regulation.¹⁸⁵ Various

types of GBEs have prepared sustainability reports, including those involved in forestry, water services, telecommunications, electricity and ports. For example, Forests NSW, a state-owned company, has produced sustainability reports since 1999.¹⁸⁶ Similarly, Sydney Water Corporation has prepared sustainability reports, environment and public health reports and reports on its progress in promoting equity and diversity in the workplace. Telstra has also published reports on social responsibility, environmental performance and workplace diversity and equality. Similarly, for several years, the Ports Corporation of Queensland has published sustainability reports that complement its standard annual reports.

In their sample of GBEs, Jones et al. found that the auditing procedures used in relation to sustainability reports ranged from full external audits, financial audits only, internal audits to no audits at all.¹⁸⁷ These differences suggest there is a need for greater uniformity in the procedures used in the preparation and verification of government sustainability reports and reporting systems.

Local government

At the local government level, the production of organisational reports is increasing. Councils that have or are continuing to produce sustainability reports, typically as part of their annual reports, include the cities of Knox, Melbourne, Moreland and Manningham in Victoria, Wollongong City Council in New South Wales and Redland Shire Council in Queensland. Other Councils, like the City of Wodonga produce separate reports on the implementation of their strategic plans, which contain much organisational information related to the three dimensions of sustainability.¹⁸⁸

As the above list demonstrates, organisational reporting amongst local governments has been most widespread in Victoria. The City of Melbourne has, and continues to be, a leader. In 2002, that city together with the International Council for Local Environmental Initiatives (ICLEI) launched a *Triple Bottom Line Toolkit*, which contains case studies and other information on how to integrate triple bottom line processes into local government decision making, planning and policy development and reporting.¹⁸⁹ This toolkit has since been used by other Councils, including Hornsby City Council and Coffs Harbour City Council in New South Wales. In addition, ICLEI

has produced two triple bottom line reports that outline how members and participants are performing in relation to sustainability.¹⁹⁰ The City of Melbourne also registers its report with the Global Reporting Initiative.

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While a growing number of companies are publishing sustainability reports, the total number of companies who are doing so remains very low
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While organisational reporting is increasing within local government, the number of councils that have prepared sustainability reports is still relatively small. According to Jones et al.:

... few [councils] report on their performance, confining their disclosures primarily to statements of policy. There was little consistency in the information presented in these reports ... councils operate within the ambit of state and territory law and regulation, but even councils operating in the same states provided substantially different information in their publicly available documents.¹⁹¹

This could be regarded as surprising given councils' responsibility for social and environmental services. However, the low number of Council's preparing reports is perhaps to be expected given the costs of preparing sustainability reports, the limited resources available to many local councils, the lack of relevant expertise and the absence of statutory requirements to prepare them.

9.2 Private sector reporting systems

Private sector sustainability reports include those prepared by for-profit companies and not-for profit organisations. Both are discussed below.

Corporate sustainability reports

The authors of *The State of Sustainability Reporting in Australia 2004* found that while a growing number of companies are publishing sustainability reports, the total number of companies who are doing so remains

very low, especially among large companies when compared with similarly sized organisations overseas.¹⁹² The report focused on the reporting activities of Australia's top 100 unlisted public companies, the top 100 private companies and companies in the S&P/ASX 300 index. Of this sample, 116 had issued a sustainability report of some description since 1993. The authors concluded that:

[f]oreign-owned companies were considerably more likely to produce a sustainability report than companies that are Australian owned. Overall, the rate of production among the 509 companies covered by the project is 23%.¹⁹³

However, the report defined 'sustainability reports' broadly, including corporate citizenship reports, environment reports, and health and safety reports in its figures. Consequently, these figures disguise an even lower rate of genuine corporate sustainability reporting.¹⁹⁴

A similarly low rate of sustainability reporting in the corporate sector was found in a project commissioned by CPA Australia and undertaken by the University of Sydney.¹⁹⁵ The project involved a survey of Australia's top 500 listed corporations. It found that in 2003 only 24 companies had produced a discrete sustainability report and that while 'the majority of corporations did make some social and/or environmental disclosures within their annual report, this generally took the form of policy statements of limited scope'.¹⁹⁶

The authors found considerable diversity in the scope and form of sustainability reporting among the companies preparing reports. Specifically, they found that:

- Only 10 (4.2 per cent) applied a recognised framework such as the GRI, with the remainder employing no framework at all;
- Just over half (13) submitted their report for verification;
- Of those who submitted their reports for verification, only one (Westpac) had its report independently audited for each dimension of sustainability;
- Discrete reports were more likely to be prepared by larger companies;
- Many of the companies preparing sustainability reports were already required to submit or publish

the relevant information under regulations or voluntary codes of conduct, and few extended their reporting regimes beyond the areas specified in the regulations and codes;

- The information provided by corporations was ‘overwhelmingly positive’ and ‘some potential bias in the presentation of sustainability/TBL information was observed’;
- There was evidence that larger companies and those in a strong financial position were more likely to prepare sustainability reports; and
- Consumer privacy, environmental incidents, greenhouse gas emissions and workplace occupational health and safety were the most commonly reported issues.¹⁹⁷

The available evidence suggests that certain types of companies are more likely to produce sustainability reports than others. As noted, Jones et al. found evidence that larger companies and those in a strong financial position were more likely to prepare sustainability reports.¹⁹⁸ Sustainability reporting also appears to be more common in the mining, manufacturing and banking sectors than in other industries.¹⁹⁹

All four of Australia’s top banks have a sustainability reporting system of some description. Of these, Westpac, a GRI organisational stakeholder, has led the way. It published its first social impact report in July 2002 and continued to do so until 2004 when it also issued a Stakeholder Impact Report, which for the first time aligned the company’s sustainability reporting with its annual financial reporting. Between 2004 and 2008, the organisation continued to produce stakeholder impact reports but since 2009 the organisation has been producing what it now calls sustainability reports.²⁰⁰ The National Australia Bank issued a Corporate Social Responsibility report in 2004 and, in 2010, it combined the bank’s financial and corporate responsibility reporting into a joint annual review.²⁰¹ The ANZ, also a GRI organisational stakeholder, issued its first sustainability report a year later in 2005 and has continued to do so since. The organisation is unique in issuing both interim and final corporate social responsibility reports.²⁰² The Commonwealth Bank was the last of the four banks to publish a sustainability report, releasing its first for 2009 and the second for 2010.²⁰³

Within the mining sector, different types of reports have been produced for some time. Alcoa of

Australia Ltd has been producing an environment, health and safety report since 1998 and, since 2002, it has also produced a separate sustainability report on an annual basis.²⁰⁴ Other mining companies, including BHP Billiton and Rio Tinto have also consistently prepared different types of sustainability and environment reports. For example, between 2001 and 2004, BHP Billiton produced a health, safety, environment and community report, and then in 2005, it prepared the first of its now annual sustainability reports.²⁰⁵ Rio Tinto has previously prepared social and environment reports and now prepares a sustainable development review, which includes reports from different operations.²⁰⁶ Not only are banks and mining companies more likely to have sustainability reporting systems, they are also among the top performers in terms of the use of the GRI indicators. The Jones et al. study reviewed the top 100 Australian Stock Exchange (ASX) listed companies according to the sustainability disclosure index (SDI), which awards one point to each company for each of the 40 GRI indicators it reported against.²⁰⁷ The review found that of the top five performers, three were mining companies and one was a bank (see Table 4). Of the other major banks, the National Australia Bank was awarded a SDI of 12, ANZ nine and the Commonwealth Bank just four. The report notes that the median SDI score for all 100 companies was a meagre five and the average was six.

Table 4: Top five ASX 100 companies

Name	SDI Score
BHP Billiton	31
Rio Tinto	24
Alumina	21
Westpac	17
Warehouse Group	17

Source: Jones, S., Frost, G., Loftus, J. and van der Laan, S. 2005b, ‘Sustainability Disclosure Index’, <http://www.cpaaustralia.com.au/cps/rde/xbcr/SID-3F57FEED-484866/cpa/sustainability_disclosure_index.pdf> (19 August 2005).

The reasons for the differences in reporting practices between sectors and corporations are unclear. Possible explanations include:

- The nature of the operations of the companies exposing them to greater environmental and social risks;

- The size of the relevant companies and the nature of their operations makes them highly visible to the general public, meaning their goodwill and financial performance may suffer if they are perceived to be hiding information or failing to operate appropriately;
- The relevant corporations may already be required to submit or publish the sustainability information;²⁰⁸
- Corporations in a stronger financial position may have a greater capacity to compile and publish sustainability reports; and
- Certain corporations may be promoting sustainability reporting for economic, political or personal reasons and this may be prompting other corporations in the same sector to follow suit.

Further research on the reasons for the differences in sustainability reporting practices is warranted.

Not-for-profit organisational reports

Sustainability reporting within the not-for-profit sector appears to be very limited, which perhaps reflects the lack of resources available to some groups and the fact that some not-for-profit organisations do not feel they have an obligation to publish information on their performance.²⁰⁹ Having said this, as the objectives of many not-for-profit organisations are to promote social, environmental and economic progress, it is often difficult to distinguish between efforts to describe their activities and more detailed sustainability reporting.

Within the environment sector, the Australian Conservation Foundation (ACF) appears to be one of the few organisations that has prepared an organisational report. The 2004 report indicates that many aspects of the organisation’s environmental performance have improved following the move to the 60L Green Building, the ACF’s headquarters in Melbourne.²¹⁰ The report measures the ACF’s performance against five criteria: organisational management, policies and procedures; management systems and risks; information and communication; and sustainability indicators.

Sustainability reporting also appears uncommon within the social services sector. One exception is Wesley Mission, which includes some information on the organisation’s sustainability performance in its annual reports.²¹¹ The absence of a comprehensive

reporting framework has meant that some of this information is limited.

Organisations in the foreign aid sector often have more robust accountability systems compared to many other not-for-profit groups. For example, unlike other sectors, the foreign aid sector has a code of conduct to improve transparency and confidence in the sector’s governance arrangements.²¹² While these trends are a positive development, the level of sustainability reporting appears to be low, with most reporting focusing on financial issues and descriptions of relevant aid-related activities.

Universities

Few universities have established comprehensive sustainability reporting systems. Those that have include Monash University La Trobe University, the University of Newcastle, and the Australian National University. However, the approaches adopted by these universities differ considerably.

Monash University is a national leader in sustainability reporting within the tertiary education sector. In 2002 the Monash Environment Institute (MEI) (now Monash Sustainability Institute) produced the university’s first sustainability report²¹³ and the second sustainability report was integrated into the university’s annual report.²¹⁴ The integration of these sustainability reports into the annual report now occurs on an annual basis. Monash’s sustainability reporting system provides a detailed narrative-based assessment of the university’s economic, social and environmental performance. The information on social and environmental issues covers such things as the staff profile, human rights, student engagement, energy use, greenhouse gas emissions and water use.

.....
 Few universities have established comprehensive sustainability reporting systems

La Trobe University, the University of New South Wales, as well as the National Centre for Sustainability at Swinburne University are Global Reporting Initiative organisational stakeholders. In April 2011, La Trobe University became first university in the world to publish an externally assured sustainability

report.²¹⁵ The University's efforts won it an Association of Chartered Certified Accountants (ACCA) sustainability reporting award in the same year. In 2004, the Water Research Centre at the University of New South Wales (together with engineering students) prepared the University of New South Wales's first sustainability report in line with GRI guidelines. The report was subsequently updated in 2005.²¹⁶ Meanwhile, Swinburne University plans to publish its first sustainability report (as part of its annual report) by 2015.²¹⁷

The University of Newcastle in New South Wales plans to publish its first stand-alone sustainability report card in 2012.²¹⁸ The organisation had previously been including information on the university's economic, social and environmental performance in its annual report. The Australian National University publishes an annual report that includes information on its economic, social and environmental performance.²¹⁹ In addition, the University publishes stand-alone environment reports – the last one in 2009. The Australian National University's system appears to place less emphasis on social issues than on economic and environmental concerns.

Although the University of Technology Sydney (UTS) does not have a sustainability reporting system, the Institute for Sustainable Futures (ITS) at the University of Technology Sydney has been preparing an annual sustainability report since 2004.²²⁰

In addition to these more formal efforts, the majority of universities publish a range of organisational sustainability information either in annual reports or on websites. Unsurprisingly, the nature and quality of the information provided varies considerably among institutions. Whereas some provide detailed information on the three dimensions of sustainability others are far less comprehensive, focusing chiefly on economic, employment, student and academic issues. In most cases, little or no information is provided on environmental performance. There are also significant differences in the approaches taken to the reporting of employment and social information in annual reports. Some universities provide a range of statistical information to support narrative assessments, while others rely mainly on narrative descriptions. Certain universities, such as the University of Tasmania and Flinders University in South Australia, have also established online databases that include statistics and other information on employment, students, academic and social issues. Others prepare

reports on the implementation of university strategic plans which includes information related to social, economic and environmental issues. For example, information related to targets for the employment of indigenous academics, enrolment of students from low socio-economic backgrounds etc.

Stand-alone reports have also been prepared by a number of universities in relation to specific aspects of sustainability. For example, the Australian National University publishes environmental management reports, which provide a suite-of-indicators assessment of the university's environmental performance.²²¹ Similarly, Flinders University and the University of New England have published reports on equity issues and achievements.

Summary

Organisational reporting is both limited and inconsistent. At the national level, only a small number of government agencies have prepared sustainability reports. The same is also true of state and territory government departments; but in government business enterprises sustainability reporting is relatively widespread. In local government and universities, the uptake of sustainability reporting has been limited and, where it has been adopted, there are significant differences in the quality of the information provided and the approaches that have been used.

Corporate sustainability reporting is increasing but it remains restricted to a few companies. There are also substantial differences in the nature and quality of corporate reporting systems, along with biases in the information provided.

Comprehensive organisational reporting within the not-for-profit sector is at a very low level.

PART D: Recommendations

There is a lack of consistency in the definitions of and approaches to sustainability reporting. These inconsistencies are hindering the development of sustainability reporting and are undermining its credibility.

Despite these difficulties, sustainability reporting has grown steadily over the past 10 to 15 years, but this growth has not been uniform.

Geographic reporting

Considerable progress has been made in improving geographic reporting. Much of the credit for these advances must go to the ABS, which has established several crucial sustainability reporting products and is responsible for compiling data sets that will help improve sustainability reporting in the coming years. These include the Measures of Australia's Progress reports and the National Regional Profile database.

Although advances have been made, there are still significant gaps in Australia's geographic reporting systems. The most significant problem concerns the lack of comprehensive and consistent reporting systems at the state, regional and local levels.

Recommendation 1: Geographic reporting

To improve geographic reporting in Australia:

The Council of Australian Government's (COAG) should agree on a framework for reporting at the national, state and territory, regional and local levels;

The framework should promote a suite-of-indicators approach to reporting that is tailored to the needs of information users and to the capacity of the relevant authorities to generate the information in a cost-effective manner;

At national, state and territory and regional levels, the responsibility for reporting should be vested in an independent statutory authority supported by adequate powers and resources;

All appointments to the independent statutory authority should be made by the relevant Minister on the advice of an independent appointments board;

There should be a statutory obligation on all government agencies to provide information to the independent statutory authority and to assist the authority in the performance of its duties;

COAG should fund the establishment of an internet-based sustainability reporting clearing house, which would collate information across the three dimensions of sustainability at the national, state, regional and local levels, provide links to appropriate sources of information and help promote greater cohesion in reporting systems; and

All Commonwealth and state and territory government reports should be independently audited.

Organisational reporting

Australia has had less success with organisational sustainability reporting than with geographic reporting. Initiatives have been undertaken to promote organisational sustainability reporting in both the public and private sectors and there is some evidence that it has developed in certain areas. For example, it is now relatively common among certain government agencies and industries and it has been undertaken by some local governments and universities. Yet organisational sustainability reporting is still largely a novelty rather than an accepted practice.

At all levels of government, there has been a failure to promote a comprehensive and structured approach to organisational reporting. In most cases, there are no statutory or policy frameworks to support sustainability reporting and, where they do exist, they are often lacking in rigour.

Recommendation 2: Public sector reporting

To improve organisational reporting by government agencies:

COAG should agree on an indicator-based framework for reporting by agencies that is consistent with the Global Reporting Initiative (GRI) guidelines;

All agencies (including local councils and universities) should be required by law to prepare sustainability reports, preferably as part of their standard annual reports;

The nature of the reporting obligations should be proportionate, reflecting the size of the organisation and the activities they undertake;

All public sector sustainability reports should be available online, preferably at the sustainability reporting clearing house referred to in Recommendation 1; and

All Commonwealth and state and territory government reports should be independently audited.

Recommendation 3: Corporate reporting

Triple bottom line reporting has been a buzz word in the private sector for more than a decade. Despite the attention it has attracted, few corporations have adopted comprehensive sustainability reporting systems. Where they have done so, the information provided has often been of questionable value. Importantly, the varying quality of sustainability reporting systems, combined with the lack of consistency in the approaches adopted, means that it is difficult if not impossible to compare the sustainability performance of different entities. This has greatly reduced the usefulness of the information that has been provided.

Many private sector organisational reports are also biased. Information that reflects adversely on an organisation's performance is invariably either presented in a positive manner or omitted from the reports. The 'spin' used in the presentation of data makes it difficult to gain an accurate picture of an entity's performance and impacts. To improve corporate sustainability reporting:

COAG and representatives from the private sector (including not-for-profit organisations) should devise an agreed framework for corporate sustainability reporting that is consistent with the GRI guidelines and the agreed framework for public sector sustainability reporting;

The agreed framework should be tiered to ensure information requirements are proportionate to the size and nature of the entity;

Mandatory indicator-based sustainability reporting should be introduced for all publicly listed companies;²²²

Sustainability reports of public companies should be independently audited; and

All corporate sustainability reports should be available on-line, preferably at the sustainability reporting clearing house referred to in Recommendation 1.

Recommendation 4: Not-for-profit reporting

At present very few not-for-profit organisations have sustainability reporting systems and the quality of the information that has been provided varies considerably. To promote sustainability reporting and improve accountability in the not-for-profit sector:

The framework referred to in Recommendation 3 should apply to not-for-profit organisations;

Mandatory indicator-based sustainability reporting should be required for all large not-for-profit organisations;

All not-for-profit sustainability reports should be available online, preferably at the sustainability reporting clearing house referred to in Recommendation 1; and

Sustainability reports of large not-for-profit organisations should be independently audited.

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References

- For example, in May 1998, OECD ministers agreed that sustainability requires consideration of economic, environmental and social factors.
- The mandatory reporting requirements should be introduced in stages, starting with information that is readily available. The requirements could also be differentiated between sectors to account for the varying sizes, resources and activities of different types of corporations.
- Different terms are sometimes used to describe comprehensive monitoring and reporting systems (e.g. accounting). Terms such as 'progress' and 'wellbeing' are also often used in relation to sustainability or triple bottom line reporting. The term 'sustainability reporting' is preferred here because it is arguably broader than these other concepts and is more widely used in this context.
- The phrase 'social and environmental reporting' is occasionally used interchangeably with 'sustainability reporting', as are the terms 'social accounting' and 'social auditing.' See Owen, D. 2003, *Recent Developments in European Social and Environmental Reporting and Auditing Practice – A Critical Evaluation and Tentative Prognosis*, International Centre for Corporate Social Responsibility, Research Paper Series no. 03–2003, Nottingham University and Social Auditing Network (SAN) 2006, 'Social Audit Network – social accounting and audit for the social economy and the community sector', <www.socialauditnetwork.org.uk/> (22 February 2006). Here we use the phrase 'social reporting' to refer to the provision of information on social issues, and the phrase 'environmental reporting' to refer to the provision of information on environmental issues.
- Concerns about the need for social reporting were expressed in the early twentieth century, but debate about social and environmental reporting did not take off until the 1970s. See Owen, 2003.
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- See Part B, section 7, for more details on the OECD's environmental indicators program.
- United Nations Development Programme (UNDP) 1990, *Human Development Report 1990*, UNDP, New York, p. 13.
- The Brundtland Report, *Our Common Future*, was the background document to the UNCED. The outcomes from the conference were the Rio Declaration on Environment and Development, Agenda 21 (which is the implementation document) and the Statement of Principles for the Sustainable Management of Forests.
- See Part B, section 7, for more details on the GRI.
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- Dryzek, J. 2000, *Deliberative Democracy and Beyond: Liberals, Critics, Contestations*, Oxford University Press, Oxford.
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- Pezzey, J. 1997, 'Sustainability constraints versus "optimality" versus intertemporal concern, and axioms versus data', *Land Economics*, vol. 73, no. 4, pp. 448–66.
- Intergenerational equity refers to the provision of equity between generations whereas intragenerational equity refers to the provision of equity within generations.
- Commonwealth of Australia 1992, *National Strategy for*

- Ecologically Sustainable Development*, prepared by the Ecologically Sustainable Development Steering Committee, Commonwealth of Australia, Canberra.
24. Commonwealth of Australia, 1992.
25. Examples include: the Intergovernmental Agreement on the Environment (1992); National Strategy for Ecologically Sustainable Development (1992); National Strategy for the Conservation of Australia's Biological Diversity (1996); Australia's Ocean Policy (1998); Looking to the Future: A Review of Commonwealth Fisheries Policy (2003); National Forest Policy Statement (1992 and 1995); National Environmental Health Strategy (1999); National Competition Policy (1995); *Environment Protection and Biodiversity Conservation Act 1999* (Cwlth); *Fisheries Management Act 1991* (Cwlth); *Natural Heritage Trust of Australia Act 1997* (Cwlth); *Environmental Planning and Assessment Act 1979* (NSW); *Native Vegetation Act 2003* (NSW); *Local Government Act 1993* (NSW); *Environment Protection Act 1993* (SA); *Environment Protection Act 1997* (ACT); and the *Commissioner for Environmental Sustainability Act 2003* (VIC).
26. For example, in May 1998, OECD ministers agreed that sustainability requires consideration of economic, environmental and social factors.
27. Note that in this report the term 'social' should be understood to include cultural issues and concerns. While some would argue that culture constitutes a fourth pillar of sustainability in its own right, culture is considered here under social to conform with common practice.
28. See Elkington, J. 1980, *The Ecology of Tomorrow's World*, Associated Business Press, London.
29. See Institute of Chartered Accountants of New Zealand 2002; Commonwealth Department of Family and Community Services (FACS) 2003, *Triple Bottom Line report: Our Commitment to Social, Environmental and Economic Performance*, Commonwealth of Australia, Canberra; and Jones, S., Frost, G., Loftus, J. and van der Laan, S. 2005a, *Sustainability Reporting: Practices, Performance & Potential*, CPA Australia, Melbourne.
30. Sustainability reporting systems include a reporting system that results in the publication of a sustainability report.
31. At the international level, efforts have been made to establish sustainability reporting systems for a number of industries. For example, both the International Aluminium Institute (IAI) and the International Iron and Steel Institute (IISI) have published sustainability reports on their respective industry groups. See International Aluminium Institute (IAI) 2004, *Aluminium for Future Generations – Sustainability Update 2004*, IAI, London and International Iron and Steel Institute (IISI) 2004, *The Measure of Our Sustainability – Report of the World Steel Industry 2004*, IISI, Brussels, Belgium. Other examples of industry sustainability reports, at the international and national levels, include the Society of Motor Manufacturers and Traders Ltd (UK) (SMMT) annual sustainability report on the UK motor industry, which it has produced since 2000. See Society of Motor Manufacturers and Traders Ltd (SMMT) 2004, *Towards Sustainability: The UK Automotive Sector – 5th Annual Report*, SMMT, London. The Carpet and Rug Institute (CRI) has also published a sustainability report on the carpet industry in the United States. See Carpet and Rug Institute (CRI) 2000, *Sustainability Report 2000*, CRI, Dalton. In Australia, the Australian Aluminium Council (AAC) issued its first sustainability report focusing on environmental issues in 2004. See Australian Aluminium Council (AAC) 2004, *Sustainability report 2004*, Australian Aluminium Council, Canberra.
32. Not all sustainability reporting systems explicitly classify the information provided under these three headings. Alternative classification systems are often used that attempt to capture similar information, but present it in a format that is more suitable for the intended audience. Further details of these different classification systems are provided below.
33. Dalal-Clayton, B. and Sadler, B. 2004, *Sustainability Appraisal: A Review of International Experience and Practice*, First Draft of Work in Progress, International Institute for Environment and Development, London. Alternative classification systems have been proposed to describe the different approaches to sustainability reporting. For example, the Australian Bureau of Statistics has suggested the different approaches be divided into one-number, accounting-framework and suite-of-indicators approaches. See Australian Bureau of Statistics (ABS) 2002, *Measuring Australia's Progress*, Catalogue no. 1370.0 2002, ABS, Canberra.
34. One-number approaches are also referred to as composite indicators and true sustainability indicators. See New Zealand Sustainable Development Indicators Working Group (NZSDIWG) 2002, *Monitoring Progress Towards a Sustainable New Zealand – An Experimental Report and Analysis*, Statistics New Zealand, Wellington.
35. The EANP is also referred to as Green Net National Product, or Green NNP. See Hanley, N., Moffatt, I., Faichney, R. and Wilson, M., 1999, 'Measuring sustainability: A time series of alternative indicators for Scotland', *Ecological Economics*, vol. 28, pp. 55–73.
36. The alternative to the goal-based approach to the design of reporting frameworks is the issue-based approach, where the framework and indicators are selected on the basis of which aspect of sustainability the authors want to examine.
37. Sustainability assessments involve an expansion of the concept of environmental impact assessments to include an economic and social dimension. A number of statutory processes now require decision-makers to have regard to the economic, social and environmental impacts of an activity when deciding whether to enable it to proceed. See, for example, Part 9 of the *Environment Protection and Biodiversity Conservation Act 1999* (Cwlth).
38. Zadek, S. 2001, *The Civil Corporation: The New Economy of Corporate Citizenship*, Earthscan, London.
39. Woodward, S. and Marshall, S. 2004, *A Better Framework: Reforming Not-For-Profit Regulation*, Centre for Corporate Law and Securities Regulation, University of Melbourne, Parkville, Vic.
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41. For example, Green NNP, Genuine Savings Indicator, ISEW and the GPI.
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44. See also Yencken, D. 2001, *Where Are We Going? Comprehensive Social, Cultural, Environmental and Economic Reporting*, Australian Collaboration, Melbourne.
45. Jones et al, 2005a, p. 9.
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52. Greeves and Ladipo, 2004.
53. Slater and Gilbert, 2004. This argument is supported by evidence of a positive correlation between environmental performance and share prices. See Alberini, A. and Segerson, K. 2002, 'Assessing voluntary programs to improve environmental quality', *Environmental and Resource Economics*, vol. 22, nos. 1–2, pp. 157–84.
54. Jones et al., 2005a.
55. Jones et al., 2005a.
56. Greeves and Lapido, 2004.
57. This is related to the issues of marketing and stakeholder relations discussed above.
58. Research indicates that a significant number of corporations include information in relation to the section 299(1)(f) requirement in their annual reports (Jones et al. 2005a) but the quality of the information is unknown. There have been a number of attempts to abolish or amend the section 299(1)(f) requirement, the most recent of which appeared in the *Corporations Amendment Bill 2002* (although the proposal to repeal section 299(1)(f) has since been withdrawn).
59. See *Environment Protection Act 1997* (ACT); *Protection of the Environment Operations (General) Regulation 2009* (NSW); *Environmental Protection Regulation 2008* (Qld); *Environment Protection Act 1993* (SA); *State Policies and Projects Act 1993* (Tas.); *Environment Protection Act 1970* (Vic.); *Environmental Protection (NEPM – NPI) Regulations 1998* (WA); *Waste Management and Pollution Control Act 2003* (NT); and *Waste Management and Pollution Control (Administration) Regulations* (NT).
60. See <www.npi.gov.au/> (12 December 2011).
61. For example, see Part 5, Division 4 of the *Occupational Health and Safety Act 2000* (NSW).
62. Centre for Australian Ethical Research et al., 2004; 2005.
63. For further discussion on the reasons why government agencies may adopt sustainability reporting frameworks and triple bottom line values, see Allen Consulting Group 2002, *The Triple Bottom Line in the Australian Public Sector: A Collaborative Exploration*, Allen Consulting Group.
64. For example, see section 44 of the *Financial Management and Accountability Act 1997* (Cwlth), which requires chief executives of Commonwealth agencies to manage the affairs of organisations in a way that promotes the efficient, effective and ethical use of Commonwealth resources.
65. CERES is a non-government organisation.
66. Global Reporting Initiative 2011a, *Sustainability Reporting Guidelines: Version 3.1*, Global Reporting Initiative, Amsterdam.
67. Global Reporting Initiative 2011a, p. 2.
68. The social category is further divided into Labor, Human Rights, Society and Product Disclosure groups.
69. Global Reporting Initiative 2011a, p. 7.
70. Global Reporting Initiative 2011b, *GRI Application Levels: Version 3.1*, Global Reporting Initiative, Amsterdam, p.2.
71. KPMG Global Sustainability Services 2005, *KPMG International Survey of Corporate Responsibility Reporting 2005*, KPMG International, Amsterdam; Jones et al., 2005a.
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78. United Nations Commission on Sustainable Development (UNCSD) 2001, *Indicators of Sustainable Development: Guidelines and Methodologies*, UNCSD, New York.
79. The initial working list of indicators was arranged according to the so-called DSR Framework, which divided them into four categories (social, economic, environmental and institutional) and then classified them according to their driving force/state/response characteristics.
80. At the time of writing, the SEAA was in the process of being revised again.

81. For further details on the work of the UN in promoting sustainability reporting, see the Human Development reports, the work of the United Nations Environment Programme (UNEP) (particularly the *Global Environment Outlook* reports) and the effort it has made to improve the standards of environmental reporting and data collection (UN 1984, 1988, 1991; UN ECE 1988).
82. To assist in this process, the OECD developed the PSR format for the preparation of state of the environment reports. This format requires governments to report on the 'pressures' being placed on the environment (i.e. environmental threats), the 'state' or condition of the environment, and the policies being used to counter threats to, and improve the condition of, the environment (i.e. the 'response'). Alternative versions of the PSR model include the 'driving force/state/response' (DFSR) model, 'driving force/pressure/state/impact/response' (DPSIR) model, 'condition/pressure/response' (CPR) model and the 'condition-implications-pressures/responses-implications' (CIP/RI) model.
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96. Commonwealth Department of the Environment and Heritage (DEH) 2002, *Are We Sustaining Australia? Report Against Headline Sustainability Indicators*, Commonwealth of Australia, Canberra.
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99. These indicators all provide a measure of intensity (for example, litres of water used per dollar of final demand (or per dollar of Gross National Expenditure or Gross National Turnover)).
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101. As the report provides sustainability indicators at a sector level, it is arguable that it should be classified as an organisational sustainability report. However, the fact that it uses an input-output analysis across the entire economy suggests it has more in common with geographic reporting than organisational or industry reporting.
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222. The mandatory reporting requirements should be introduced in stages, starting with information that is readily available. The requirements could also be differentiated between sectors to account for the varying sizes, resources and activities of different types of corporations.