

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO SUSTAINABILITY REPORTING

At Sydney on Thursday 31 March 2005

The Committee met at 9.00 a.m.

PRESENT

Mr M. J. Brown (Chair)

Ms G. Berejikian
Mr P. E. McLeay
Mr G. R. Torbay
Mr. J. H. Turner

SALLY CHRISTINE ARUNDELL, Sustainability Project Manager, Forests New South Wales, Building 2, 423 Pennant Hills Road, Pennant Hills, New South Wales, and

PETER JOHN DUNCAN, Chief Executive Officer, Forests New South Wales, Building 2, 423 Pennant Hills Road, Pennant Hills, New South Wales, sworn and examined:

CHAIR: Thank you for appearing before the Committee today. I have been advised that you have been issued with the Committee's terms of reference as well as the Legislative Assembly standing orders relating to the examination of witnesses. Is that correct?

Ms ARUNDELL: Yes.

Mr DUNCAN: Yes.

CHAIR: In what capacity are you appearing before the Committee?

Ms ARUNDELL: As Sustainability Projects Manager, Forests New South Wales. I am the person responsible, along with the sustainability analyst, for the preparation of our annual sustainability report.

Mr DUNCAN: As Chief Executive Officer of Forests New South Wales.

CHAIR: The Committee has received a written submission from your organisation. Is it your desire that your submission form part of the formal evidence you give today?

Ms ARUNDELL: Yes.

CHAIR: I understand that you have sent a submission to Treasury, and that that also could form part of your formal evidence you will give today. Is that correct?

Ms ARUNDELL: Yes. We have prepared a response to the terms of reference. I have copies of that, which I will give to the Committee, as well as copies of each of our reports.

CHAIR: Would you like to make an opening statement and tell us a little bit about why Forests New South Wales prepares this sustainability report?

Ms ARUNDELL: Yes. Forests New South Wales has been preparing the Social, Environmental and Economic report—what we call the Seeing report—for the past seven years. The first one was in 1997-98. At the same time we were also in the regional forest agreement process and various reporting mechanisms came out of that process. One of the main mechanisms was criteria indicator reporting. That stems from the Montreal process, which is an international forestry reporting agreement, to which Australia is a signatory under the Santiago Declaration. The Montreal process came up with a set of sustainability indicators for forests. We are required to report on those nationally, but we have used them intrastate as a broad set of indicators.

That was initially how this report started. We built on those indicators. We spoke to various stakeholders from various sectors, including conservation, industry and community groups, in developing those indicators further. We asked what the community wants to know about forestry. As the Committee may know, over the years forestry has been one of the issues that has raised community interest, and we wanted to be able to report to the community, openly and transparently, what it is about forestry that is of interest to the community. We have built upon the initial indicators to include indicators that are of interest to those stakeholders. This is a way in which we can build awareness of what forestry means, what sustainable forestry means, and connect more with the stakeholders. It is the view of Forests New South Wales that we are managing the forests on behalf of the people of this State and therefore we have a responsibility to demonstrate to them that we are managing their forests sustainably. This report provides us with a way to demonstrate our sustainable forest management to the community.

In building the report, we have looked at what organisations have been doing internationally, nationally and locally. One of the key guidelines that most are using to develop sustainability reports is the global reporting initiative [GRI]. When I started doing the report, which was in 2000, we did an analysis of our report as it was at that point, which was more of an environmental and social report because we had not developed a sustainability report at that stage. So our first task when I took over was to assess our report against the GRI, which is just a set of guidelines, not an international standard as such, but really all there is at the moment if you are trying to develop a report like this. Following analysis, assessment and comparison of our report, we broadened our report to become more of a sustainability report. As I mentioned before, what is called the Seeing Report is now a social, environmental and economic report, reflecting that triple bottom-line nature of sustainability.

Mr RICHARD TORBAY: Could you please describe the process of how you arrived at the indicators and how effective you believe they are?

Ms ARUNDELL: As I mentioned, the core set of indicators that we use are based on the Montreal indicators that were developed internationally for temperate and boreal forests. We have modified those slightly for our own national and regional purposes, but the Montreal indicators form the core of our indicators. As I have mentioned also, we spoke to stakeholders to try gauge what things they wanted us to be reporting on. We held workshops with them as well as internally with our staff, to determine what they felt were appropriate measures of sustainability. We have held a number of those workshops over the past few years, to try to refine the system. Since I have started doing that, we have added another 10 indicators, so that we now report on some 32 indicators. We broadened those to better reflect what the community and foresters feel is an adequate representation of sustainable forest management.

I would have to say that the core base of our indicators really stems from the Montreal indicators. Not only do we report on those in this report, but we are required, under the regional forest agreements and forest agreements, to report on those indicators to Parliament as well. That information is also given to the Commonwealth department for inclusion in its international reports. So it has been a development from this core set. One of the important things is holding the stakeholder workshops. Another thing we have done—

CHAIR: I am sorry to interrupt, but it is a big issue for the Committee whether there is such a thing as whole-of-government sustainability reporting, or whether it should be agency specific, which is where you are at the moment, or whether there is a combination of the two, or whether if we stick with agency specific reporting we can compare your operation with equivalent organisations in, say, other States of Australia or with international bodies. The Committee is very interested in your reporting. This is a really good report, but are we able to properly compare your report, based on your indicators and measures, with others?

Ms ARUNDELL: From a forestry perspectives, yes, you can compare our agency with other agencies in Australia and overseas because we have used the international forestry sustainability indicators. But, in terms of having generic sustainability indicators, all government departments are reporting on waste issues, equity issues, occupational health and safety issues, and those are issues that cut across all agencies. However, we have noted that making a comparison of our indicators with the global reporting initiative indicators is difficult because forestry is so specific in many of its aspects. It is not relevant for us to have an indicator for each indicator suggested in the global reporting initiative, so we have not tried to be what is called GRI compliant. We did not regard that as necessary to reflect our sustainability because, as I have mentioned, some things simply are not relevant to us as a forestry manager. I think it would be difficult to have one standard set of sustainability indicators. I can understand why the Committee is interested in coming up with some sort of sustainability index across government.

CHAIR: The strength of your report is its simplicity and brevity. It consists of about a dozen pages that are eminently readable. You have spoken about GRI indicators. There could be an argument—and I would like evidence about this—that, if you did use all those indicators, that would detract from the strength of your current reporting process.

Ms ARUNDELL: I think so.

Mr JOHN TURNER: May I interpose. Did the Montreal protocol lift any of the GRI indicators, or are they stand-alone indicators?

Ms ARUNDELL: The Montreal protocol is a stand-alone set of indicators. As far as I am aware, there has not been interaction between them, although I could be wrong. It is interesting, because it has taken us a long time to get shorter, if that makes sense. It is having that understanding of your business, to understand what are the key things that really demonstrate your sustainability. That takes a lot of working through and it takes a lot of data. That is one of the huge things for any organisation taking this on: the amount of resources that are required to collect the data, to have a system in place that effectively pulls that information together in a meaningful way. It takes a lot of time and energy to work out what your core sustainability issues are.

You will notice that in this year's report at page 13 we have included a sustainability flow chart. It has taken us a long time to work out all the interactions we have within a forest: within the forest itself, between wildlife and the harvesting we undertake, and all those things that we manage operationally. But we also manage people, we manage the forest for recreation, we manage the forest for cultural heritage values. We have worked out the interactions between all those values that are important to us and we want to see sustained into the future. We have found that one of the real challenges of the report is working out how those values interact, and it is a really specific to forestry.

As I said earlier, there are some issues that are relevant to all organisations, such as equity, waste management, and those types of issues, but I am not sure we could achieve a core set of sustainability indicators that would be relevant across government.

CHAIR: What relationship do you have with the new Sustainability Commissioner with regard to your report?

Ms ARUNDELL: Not a lot. I have met him once; I went to one of his presentations. We belong to the sustainability senior officers group, which the Premier's Department initiated, so we are represented on that committee. I understand that that committee does have a relationship with the Sustainability Commissioner, but it is not someone that we have really had much dealing with.

Ms GLADYS BEREJIKLIAN: Who is responsible for compiling the information that determines the results and the performance?

Ms ARUNDELL: The information is collected primarily at a regional level. Forests NSW is made up of 11 regional centres. As I said earlier, data collection is a big issue. We have recently developed what we call SEEDS, which is a social environmental and economic data storage system, which is an access database. We nominate an officer, and each regional officer is responsible for collecting the information that is necessary for that region, and they directly input that data into this corporate access database, which is available over the Intranet.

Ms GLADYS BEREJIKLIAN: Who assesses how they measure against your template guidelines?

Ms ARUNDELL: The regional manager should be looking at how that region is performing against those indicators. However, we compile all that information corporately, within head office. The sustainability analyst and I review that information from a corporate point of view. Now we are at a point where we have seven years worth of data, which is quite important as well because we are now at a point where we can start seeing trends. That is particularly important in the forestry cycle, which occurs over 100 years. Looking at data on a snapshot of a year often does not tell you very much; you need to look at it in the context of a five-year or perhaps 10-year period to see what the data is telling you.

Mr DUNCAN: The Auditor-General looks at parts of it. As the Auditor-General audits the organisation—we are a government trading enterprise—the Auditor-General has a staff member on site all the time. He takes these reports and looks at certain issues and compares them with the annual report. Every two years we have to do a verification assurance process externally. In a two-year cycle, you will see that verification assurance page from a company called URS. A copy of the report is

included in the documents. We do not simply say, "We are good because we know it"; we actually go out and externally get that done.

CHAIR: Your reports are not officially audited though, is that correct?

Mr DUNCAN: No. It is not like the annual report, and it is not tabled in Parliament and audited. But the Auditor-General does look at it as part of its performance assessment of our organisation, and then we have this external—

CHAIR: You have it independently verified every two years?

Mr DUNCAN: That is correct. The reason it is done every two years is that these are trends we are talking about and there is very little wild variation, so every two years is sufficient, and we are looking at costs as well.

Mr PAUL McLEAY: With that you have your reporting. Do you have any targets or goals question that

Ms ARUNDELL: That is a good point. We have, I would say, qualitative, not quantitative, targets at this point. One of the challenges with this reporting is that to set a target upfront is quite difficult. As Peter just mentioned, when you understand what the trends are, we are now at a point where we have a better understanding of what the targets should be. But that is a real challenge in sustainability reporting.

Mr PAUL McLEAY: Is that why you want to do it, though? Is that not the whole point—?

Ms ARUNDELL: Sustainability reporting is measuring your performance. So yes, you must have measures that you can benchmarked against. You are trying to assess your performance as a sustainable organisation. We certainly have other mechanisms that close the loop. The report is really just an endpoint of your performance over a year and it is telling you things that you should feed back in so you can improve on-for-ground forest management. The things we have that enable us to do that are our environmental management system and our ecologically sustainable forest management plans, which other mechanisms for turning trends that we are identifying into on-for-ground action in regional centres. The important thing is closing the gap between reporting and on-for-ground action.

Mr PAUL McLEAY: Do you prepare the report at the same time as your annual report, or is it a completely separate process?

Ms ARUNDELL: It is done within the same time frame. Our report is undertaken on a financial year basis, as is the annual report.

Mr DUNCAN: It is co-ordinated to some extent, but separate groups do the report. They simply co-ordinate to make sure everything matches up and the reports look similar in some sense so they are not wildly different.

Ms ARUNDELL: A lot of the information we take from the annual report, about OH&S and equity, which we feel are also important in the sustainability report, we take directly from the annual report.

Mr PAUL McLEAY: Do you see potential for it to become one document eventually?

Ms ARUNDELL: It is certainly something we have considered. I think we are looking to move in that direction, and several other companies have certainly adopted one annual report/sustainability report.

Mr PAUL McLEAY: Do you know about public sector companies?

Ms ARUNDELL: I am not 100 per cent sure, but I understand that Sydney Water is looking to do that—or at least they are looking at cutting down their annual report. A lot of companies are tending to do a CD of the annual report and attaching that to the sustainability report, and looking at

ways of shortening it and making it more readable. It is something we have identified as key, because people just do not read documents that are 60 or 70 pages long. Obviously, the annual report contains a lot of information that perhaps is not as interesting to a stakeholder as information contained in the sustainability report.

Mr PAUL McLEAY: Do you print the same numbers of annual reports as sustainability reports?

Ms ARUNDELL: I am not 100 per cent sure about that, but I think the sustainability reports are in the order of 2,000 to 3,000 copies, and I think it is similar for annual reports.

Mr DUNCAN: And the trend is dropping, because more and more people are getting access via the Internet or CD. Obviously, from the sustainability point of view, that is the way for us in the future as well, depending on readership and people's access to the reports.

Ms ARUNDELL: The report is fully downloadable from the Intranet.

Mr PAUL McLEAY: You said earlier that you need to do a lot of statutory requirement reporting.

Ms ARUNDELL: Yes.

Mr PAUL McLEAY: For example, I think you have to report on the number of women from non-English speaking backgrounds in every salary band.

Ms ARUNDELL: Yes.

Mr PAUL McLEAY: Often people report on such a matter but then do nothing about it. So it does not reflect employment prospects. For example, an employment panel may say, "We are failing with respect to the number of men we have in our lowest pay bracket. We had better put a man in the job." But they do nothing about it; rather, they use merit-based selection. Firstly, do you have to report on matters that you believe have do not have value? Secondly, given all your other regulatory reporting, do you hope to have just one report, dealing with all relevant matters?

Ms ARUNDELL: I do not think we will get to answer the second point. Our statutory requirements are such that we are bound, obviously, to provide reports to the Commonwealth and the State Government about, for example, regional forest agreement.

But what we have tried to do is to create this system that enables us to collect all the data that we need. All the data for the Montreal report, state of the environment report, state of the forest report or the Seeing Report goes into this one database and from that we are able to extract information that we need to go into the forest agreement report or the Seeing Report, which makes our life a lot easier. One of the great challenges for us is the scale at which we report. We have to report from a regional level, a corporate State level and a national level, and our regional boundaries do not always match up with the forest agreement regional boundaries. Some regions have to provide information to one forest agreement region and some information to another, which makes it quite difficult. This system enables us to produce reports more effectively than before. It has taken us a long time to get to that point and, yes, it certainly was very onerous to produce the number of statutory reports and this corporate report. It was taking a lot of resources. But this system has helped us in that regard.

Mr PAUL McLEAY: Once you have a system up, what is the burden of doing sustainability reporting from an organisational perspective?

Ms ARUNDELL: The burden is that each year for a six-month period on and off myself and the sustainability analyst, and over 100 people within the organisation are required to input data into the system. It is not just inputting data, it is also collecting the data before you can actually input it into the system. It is really the resources.

Mr DUNCAN: From a management point of view, I do not see it as a burden. It is actually a great result because these trends really are useful. Nearly every time we make a management decision

we look at these types of trends. One of the beauties of the sustainability report is that it is not heavily regulated—although it is quality assured, if you like, so that it is as good as we can get it. It means it is innovative and it can look at new trends. It can look at other things that are not statutory required. There is a lot of innovation in the report. If you are looking at innovation in management, it is quite a useful thing to do. Rather than trying to get one report to do everything, it is a bit like a question for, can we get one report across all departments. We should have this concept of getting as many different performance indicators across all reports co-ordinated, and that is what this SEEDS database has helped us do. The behind-the-scenes system is where the real advantages are for us.

Mr RICHARD TORBAY: I imagine there would be some benefits from the perspective of the stakeholders, such as communication that may not have occurred at anywhere near the levels that are now occurring through this process.

Mr DUNCAN: Yes.

Mr RICHARD TORBAY: I imagine that, with everyone singing from the same song sheet, there would be lots of benefits and trends in other material to benefit from.

Mr DUNCAN: That is right, and management wise we are not just collecting what we have to collect or somebody says we have to collect, we are collecting things in line with our management trends. That once-a-year reporting time, although staff time is involved, up to 100 different people have input into the information so that they all get to understand a bit about our trends, and they all get to see the report at the end and understand more about the organisation.

Mr RICHARD TORBAY: I imagine that would be valuable.

Mr DUNCAN: It is very valuable. It is not just the stakeholders, it is also staff and internal management.

Mr RUSSELL TURNER: You would not like to see a standard set of indicators?

Mr DUNCAN: With a global reporting index, when you look at those sorts of systems they all say you do not have to do every one of these exactly as we say, but there is some commonality. Out of 32, if we had five, six or seven common indicators that would be extremely useful and you could probably quite easily find those. But to try to make every agency do the same 32 would be almost impossible. Probably a common core could be introduced, but to allow for innovation and flexibility permit each organisation to report on its business and hone in on that.

CHAIR: What role do you, as a CEO, have once you get this? You say that you are using it more for proper management and strategic decisions, which is encouraging. As a CEO do you talk to other CEOs or director-generals in other government departments about your sustainability report? Do you get any support from central agency departments in regard to sustainability reporting?

Mr DUNCAN: There are two issues. I do not talk so much to other CEOs, but I send out the report to as many as I can to make people aware of it. We are now at the stage where we let people know it is on the web site, so we are saving on that process as well. Certainly it is a report that, as a management team, we like to be proud of. We are very committed to it. From the support side, as a government trading enterprise we are part of the Department of Primary Industries structure, but we are a trading enterprise. We are a self-funding organisation. We do not get government support for these types of processes, but we get a community service obligation [CSO] payment. If we are doing some community work we get a CSO payment from Treasury each year. We find this from our own business practices, as any commercial organisation would, and we have no problems doing that.

Mr PAUL McLEAY: You are on the Premier's Department Senior Officers Sustainability Working Group. How much value have you gained from that?

Ms ARUNDELL: We have met, I cannot remember how many times, over the past two years. It was really only at the developmental stage. We were talking about some of the exact issues you have been asking us today, such as are the core set of indicators that we could look at across government. The forums to date really were about Forest New South Wales, Integral Energy and

Sydney Water, which are a fair way down the track with this type of reporting, which provided presentations to the rest of the group. It was about information sharing, which was useful. We provided information about our policies and procedures that make up our sustainability reporting. It really was an information-sharing exercise and that is as far as it went, so far as I am aware.

Mr DUNCAN: A copy of our submission to that group is attached to our submission today.

Ms ARUNDELL: It really was just an information-sharing group.

CHAIR: How similar are these diagrammatic reports to other reports? You have diagrams of hands being shaken, dollar signs, performance up, down or standard. Did you come up with these or are they internationally recognised?

Ms ARUNDELL: No, we came up with those. One of the difficult things is to try to integrate environmental, social and economic indicators. However, there is some interrelationship between those indicators and this was one way that we came up with to be able to demonstrate that this indicator might be primarily a social indicator, but there are also economic considerations. That is why we added those. We have done it for two or three years now. We are not sure if other people do that, but it certainly is not an international standard. It was just something we designed and included in the report.

CHAIR: Are the performance arrows measuring performance with last year?

Ms ARUNDELL: Yes, compared to the previous year. It is a performance measurement. An upward arrow shows that our performance has improved from the previous year's result.

Mr PAUL McLEAY: It does not necessarily mean it is good or bad, it just means compared to last year?

Ms ARUNDELL: It is performance based, which means that it is measuring an improvement on the previous year. Therefore the performance has improved or there has been no change.

Mr PAUL McLEAY: Do you expect that in time you will get to your target? As we know, forestry in New South Wales is potentially a sustainable industry. If you were using unnecessary pesticides and you want to reduce it from 50 million litres a year to one million litres per year and this year you reduce it to 49 million litres you might get a big tick, but perhaps it should be only a little tick.

Ms ARUNDELL: I understand. There are degrees in which you are meeting the target.

Mr PAUL McLEAY: But you do not have targets here, do you?

Ms ARUNDELL: No, they are qualitative.

Mr PAUL McLEAY: Do you have targets, but you do not report them?

Ms ARUNDELL: Not in this report we do not, but the ESFM plans are working towards objectives.

Mr PAUL McLEAY: I imagine that your board of management would.

Mr DUNCAN: Yes, we do, through corporate planning processes. At the moment we are redoing our corporate plan and we are working on targets. Like all performance indicators, you have to make the target realistic. So often people make them unrealistic. We are working through that process of setting targets. We are looking at the trends over the past seven years and we will set realistic targets in line with those trends. In some cases they will make us work a lot harder, in others they will fit the trend line.

CHAIR: Every year your annual report is tabled in Parliament, but your sustainability report is not tabled. Should it ever become part of the annual report I suppose it would be tabled. Do you see any benefit in having the sustainability report tabled?

Mr DUNCAN: There is a lot of similar information there. The information tabled in the annual reports is what is required. I do not know what difference it would make, because we are very open and transparent about the sustainability report. It is open to the public and we seek public comment. Each time we put it out we say to people, "If there is anything in here you have questions about you can contact us" and we answer them. I am not sure what difference it makes. One of the beauties of the process is that it is fitting in with an international process. If it becomes a statutory requirement I wonder whether it loses a bit of innovation and change and whether it becomes, "I am only going to put in that report what I am required to put in." It is a hard question to answer. We are not against tabling it, but I do not know whether it would make a great deal of difference.

Mr PAUL McLEAY: If agencies received a CSO payment would that guarantee it?

Mr DUNCAN: It is one of these things that they need to want to do, and business organisations across the world have done it for that reason and that is the success of it. If another reporting criterion is placed on an agency or an organisation, wherever it is, is it the same commitment? It has to be something that is almost an ethic. Interestingly enough Ms Arundell put in the report that sustainability came out of the forest industry in the 1800s in Germany when they talked about sustainable yield. Sustainability is almost an ethic that has grown through forestry over a century or so and it is only in recent years that we have picked it up. But other organisations have picked it up as well because they want to do it and they want their industry sustainable. Obviously that is why government is looking at it as well. More regulation and control, does that really help the process? That is probably a key issue to consider.

Ms ARUNDELL: A lot of the information in the Seeing Report is actually reported to Parliament any way, such as the forest agreement reports. That information is tabled in Parliament and there is a lot of overlap between those documents.

Mr RICHARD TORBAY: Over the past seven years there would have been quite a significant amount of learning and change in some of those processes. If there were minimum reporting or a statutory document it probably would not have been expanded and the performance indicators may not have changed to become a dynamic document. Probably that will continue while ever you are collecting that data and before you can get to your key indicators with some targets in mind.

Ms ARUNDELL: That is right. That has really been the key of its success. As Mr Duncan said, it has really been driven internally. It has come from the top, from the CEO. There is a real commitment to that report and we have changed the report quite significantly over the seven years, which is what has kept it alive and meaningful to staff and to stakeholders. That is one of things we realised a few years ago, it is not just a report to the community it is something internal as well.

Mr RICHARD TORBAY: A dynamic document.

Ms ARUNDELL: It is very dynamic and yes in this year's report there is quite a big change from all the previous ones that I have provided as well. It is a lot shorter. We tried to use a lot more illustrated diagrams so that people could get a better conceptual picture of how forestry fits together.

Mr RICHARD TORBAY: It is an excellent report.

Mr PAUL McLEAY: The fire graph is a really good one.

Mr DUNCAN: I will just make the point that I have been involved for only the past two years, and Sally and others have put a lot of work into it. I have watched our annual report and sustainability report over the past two years being developed hand in hand, and I have seen more innovation and change with this new report in the sustainability report because while there is a framework and it is audited, when I go back to the annual report people say, "No, there are strong

rules. You need to report this way, you need to do this, you need to do that", and that means that while it is meeting its objectives, it does not have that same innovative drive.

Mr RICHARD TORBAY: That is the point I was driving at.

Mr JOHN TURNER: It is meeting its objectives and then being put in a drawer, is it not?

Mr DUNCAN: Well, I suppose it is meeting the benchmark, but the sustainability report can change. If other organisations, such as Sydney Water, do a good report, we would probably look at it and say, "Gee, that looks good. Let's have a look at our report and see if we can tune it."

Mr JOHN TURNER: But you would want to keep your own unique flavour of your report.

Ms ARUNDELL: That is right, but it is a real driver for us to be seen to be a leader in this area, to be trying to make our report better and better each year and to be seen as demonstrating leadership.

Mr PAUL McLEAY: How do you compare to the other States?

Ms ARUNDELL: We had the report benchmarked a couple of years ago and it performed well. More recently there is a reference in this year's report to a Group of 100, which did a review of sustainability reports, it identified our report has probably one of the leaders in the government sector in Australia. So I think it is quite widely recognised across Australia with a number of others in New South Wales as being —

Mr PAUL McLEAY: What about on performance, though? Do any of the other States use the sustainability report agreements?

Ms ARUNDELL: Do they use a similar type of indicators?

Mr PAUL McLEAY: Do they do any sustainability reporting?

Ms ARUNDELL: Yes, they do. Forestry departments?

Mr PAUL McLEAY: Yes.

Ms ARUNDELL: They do. I am just trying to think. I think Forestry Tasmania is certainly going down this path and Victoria as well. I believe that certainly other government departments across Australia are. There is a sustainability strategy that has been developed by Peter Newman in Western Australia. I am not sure how that is flowing through to the government departments over there, but they certainly have a statewide sustainability strategy. But, yes, certainly other government departments outside New South Wales are looking at sustainability reporting.

Mr PAUL McLEAY: But are they using the same indicators as you are?

Ms ARUNDELL: We developed these indicators ourselves, but other forestry departments, yes, are reporting on those ones I mentioned earlier, the Montréal indicators. So, yes, they would be reporting back to the Commonwealth Department of Agriculture, Fisheries and Forestry [AFFA].

Mr DUNCAN: At a Commonwealth level, there are comparisons made, so annually we get those comparisons back. It is in our interests to compare ourselves against other forestry groups as well. In time, as sustainability reporting becomes more mainstream, you will find that we will be doing similar indicators. There is a big incentive to do that because you like to see how you compare to others.

Ms ARUNDELL: It is called the State of the Forests report and that is where all the statewide agencies' forestry information is compiled. That is produced by the Commonwealth Department, AFFA.

CHAIR: Thank you so much for the time and effort you have put into this, Sally. All the Committee members to whom I have spoken are very impressed with this report. I thank you for your leadership, Mr Duncan, in supporting these initiatives. I think it is great to see and you have certainly set the bar high for other agencies to follow. Thank you for your evidence this morning.

(The witnesses withdrew)

(Short adjournment)

ARMINEH MARDIROSSIAN, Director of Sustainability and Policy, Landcom, Level 2, 330 Church Street, Parramatta, affirmed and examined:

CHAIR: I understand that you have been issued with a copy of the Committee's terms of reference and standing orders. Is that correct?

Ms MARDIROSSIAN: Yes, I do have that.

CHAIR: In which capacity are you appearing before the Committee today?

Ms MARDIROSSIAN: As the Director of Sustainability and Policy, Landcom.

CHAIR: You have given us a submission comprising the annual report plus other submissions that you have given to other government agencies. Is it your intention that these should form part of your formal evidence today?

Ms MARDIROSSIAN: Yes.

CHAIR: Would you like to make an opening statement about your sustainability report to the Committee, or would you rather move into questions?

Ms MARDIROSSIAN: I think we can move to questions.

CHAIR: In your report, a comment is made that it is first and foremost a sustainable business report. Would you like to comment on that phrase and also talk about the drivers for this particular approach? What are the key factors that support it?

Ms MARDIROSSIAN: I think you are referring to the chairman's statement.

CHAIR: Yes.

Ms MARDIROSSIAN: That says that, first and foremost, this report is to add value to our business. The purpose of that statement or the meaning of that statement is more to indicate that we do not just do this report for the community or for the stakeholders. The first premise is that it actually has to help us improve what we do. It is like an investment. We are investing resources, effort and time into producing a report, but if it did not add value to our business, then it would be a waste of time. Yes, perhaps the community would benefit from that information to some extent, but then that is also fragmented because various people read various sections and you are never sure whether this is a communication that is actually benefiting the community in general.

CHAIR: It is good to hear that an agency is not reporting just for reporting's sake and you are using it as a management tool to enhance the business.

Ms MARDIROSSIAN: That is right.

CHAIR: Would you be able to talk a little bit more as to how it actually enhances the business and enhances business decision making?

Ms MARDIROSSIAN: The indicators are selected to relate to a business in terms of the significant impacts that our business and our core activities have on the environment, society or economics in general. As they are selected in those contexts, the management of those indicators and the performance of those areas show us that if we are introducing particular policies or are taking a particular direction or action, what the outcomes of those are. We have focused on output driven indicators mostly. Of course, that is not possible in every case, but the idea of output driven indicators is to make sure that you are actually measuring results as opposed to process, and that is how it is relating to our business, and it is actually able to help us then make decisions.

Mr PAUL McLEAY: You have certain targets in your sustainability report. Were those targets set at a point in time and fixed, or are they reviewed each year?

Ms MARDIROSSIAN: We started the target process in 2002, so two years is not sufficient to go back and review it because they are set at 2002 on the base line of the data we had at 2002. The time lines for most of the targets are in 2007-08. They are being reviewed every year but we do not have the intention of changing any of them. A couple of them have been changed because we had achieved the target in the first year and we thought that if we did not change the target or increase it we are not pushing ourselves. So one or two targets have been changed and increased, but we are still working towards the other targets and they will probably be reviewed in 2007, provided we have achieved the targets we set.

Mr PAUL McLEAY: When you modify your targets do you put that in your sustainability report?

Ms MARDIROSSIAN: Yes. There is a detailed appendix—it is on the CD—of all the changes and measurements made from one year to the next and an explanation as to why those have been made.

Mr PAUL McLEAY: Do you know whether your CEO has a performance-based component to his salary, and whether any of the sustainability targets are part of that?

Ms MARDIROSSIAN: Yes. The CEO has an at-risk component, and so do I. The whole of the executive team has—all the general managers and the directors. The targets for performance relate to our corporate planning and the 10 corporate objectives for every year. In the past three years we have had sustainability objectives. Since we started the triple bottom line process there have been sustainability objectives in the corporate planning which then get translated into every staff member's performance agreement.

Mr PAUL McLEAY: Your Act states that you must have triple bottom line sustainability reporting, does it?

Ms MARDIROSSIAN: No. The six objectives mention social responsibility and environmental protection. I think section 14 mentions something about environmental indicators and reporting. It does not so much talk about more general sustainability reporting, but it does talk about environmental indicators and how they are to be selected, consultation and public exhibition. It states that the Minister should choose indicators from time to time. That is the sort of wording that is used.

Mr PAUL McLEAY: Your sustainability report is tabled in Parliament, is that right?

Ms MARDIROSSIAN: There is no requirement but we table it at the same time as the annual report. Our CEO and chairman decided to give the sustainability report the same weighting and the same importance and significance as the annual report. They will make that, I guess, arbitrary at corporate level to say that these are to be tabled at the same time in Parliament. Therefore, for our staff it has the same significance.

Mr PAUL McLEAY: I note that your targets are set in your sustainability report but there are no targets set in your financial report.

Ms MARDIROSSIAN: There is, if you know that Treasury sets those targets; we do not. We feel that perhaps that question is probably best addressed to my CFO but from what I understand it was an issue of if as a government agency you include financial targets there could be all these questions from the community's prospective that they might not see that as a positive. Also, I think there are a lot of sensitivities about financial targets, but there are targets.

Mr PAUL McLEAY: We heard evidence recently from one of the sustainability commissioners, Professor Newman, who said that the Landcom sustainability report is probably as good as he has seen anywhere in the world.

Ms MARDIROSSIAN: That is very flattering.

Mr PAUL McLEAY: I thought it was very high praise. Do you feel that there are things missing from your report and there are other things that should be removed?

Ms MARDIROSSIAN: Definitely. I do not feel that our report is the best there is. I guess that if it is, it is because a lot of other companies have done a lot of work from which we have learnt, and we hope that others will learn from what we have done. It is an evolutionary process. We have had 200 years of financial reporting and it is still being improved, and we have only perhaps a couple of decades of environmental firstly and then more of sustainability reporting. So there is a lot to be learnt. I do not feel by any means that our report is complete or we do not have to do any work on it.

Perhaps our focus has been to use the reporting as a communication tool and also for ourselves to measure our business and to measure relativity of improvement. The actual numbers do not make a lot of sense because you have to normalise performance. The key issue for us has been to focus on relativity of performance from one year to the next so that we can see an improvement trend. If you were to go specifically with our indicators, there is a lot of modelling and assumption that goes on because we do not have the custody of the data. For example, if you are looking at energy efficiency in the houses that we built, we do not have the data for the person living in that house and how they are using energy. That is a very behavioural dependent type indicator.

All we can do is, at the time of the building and design, there are certain assumptions you can make as to on average what is a house using and use the baseline data from Integral and EnergyAustralia and so on, but it is not accurate because you do not have the actual data. So you are making assumptions. Therefore, you cannot so much rely on the absolute numbers but rely on the relativity. If your assumptions stay the same and they are logical, the relativity should give you a very good indication of improvement in performance.

Mr PAUL McLEAY: When you talk about "relativity" do you do that relativity to yourselves, to other State Government agencies, or to other jurisdictions' housing land release programs?

Ms MARDIROSSIAN: You could do it in different levels. The first one is the relativity should be the absolute numbers and normalised based on our output. A simpler example would be if we take the case of, say, the mining industry; the way they report on their indicators is it is always normalised on the basis of their production output. Of course, for Landcom that is much more difficult, but we are normalising them based on the number of dwellings or the number of lots. That is the first level of normalisation that you have to do so that it makes sense to your own organisation what you have been doing from one year to the next, especially if you have a target.

The second level of normalisation or relativity is the benchmarking across State agencies as well as your own industry. We have not so much benchmarked against—actually, that is not true, we have: we used the URS. URS does a benchmarking report every year for all of the sustainability reports. Last year they benchmarked ours against 150 different organisations that were reporting, both public—so Sydney water was one of them and Forests NSW and others were there as well—and private sector companies. Our report, I think, came sixth in the range of all multinationals and other companies and so on.

That is the sort of level of benchmarking and relativity that we use in a wider sort of industry level. Also, every year we do a benchmark against development industry. When I say that, that is a fairly easy benchmark because no other developer is reporting. Investors are probably the closest one, but they are actually not reporting on the development.

Mr PAUL McLEAY: So you are coming first and last in the development industry?

Ms MARDIROSSIAN: Investa is reporting on the property trust component of their business, but they have only recently acquired a land development company—I think they bought Clarendon or one of those housing groups—and that would be the development component of their business and they are starting to look at developing some indicators for that. But across the world there are one or two infrastructure companies who do reporting, but not many or not any property development.

Mr JOHN TURNER: From where did you actually pick your indicators?

Ms MARDIROSSIAN: We developed them from scratch. There is a 2002 report, our consultation report. It took about 18 months of stakeholder consultation with community groups, with State Government agencies, with local government, with industry, and it was a very extensive process of consultation. In hindsight, a lot of people say we probably spend too much time consulting, but when you are faced with a situation where there are not actually any indicators that are quite suitable, that you can just pick of the shelf and report, then that is what you have to do.

CHAIR: How many indicators do you report on?

Ms MARDIROSSIAN: Fifteen project-based indicators. So that is our development side of the business, and core business; then there are 19 indicators that are either financial human resources related or just mainly corporate management type of indicators.

CHAIR: You seem to separate your reporting to project and corporate when you are saying there are 15 in the project.

Ms MARDIROSSIAN: It is mainly from the basis of where the data comes from.

CHAIR: Did you draw upon GRI's framework at all?

Ms MARDIROSSIAN: Yes. We spend a lot of time debating this point whether we should be in accordance with—because there is a specific requirement that if you say "in accordance with" then you have to give all these explanations of why you did not report against certain things. We felt that the key principles that they have provided in terms of transparency, clarity, auditability and so forth, were very applicable to no matter which business you were in; they are more the framework and the premise of how you report. We have adopted those, with the exception of one that we do not quite seem to understand what it is actually asking for, and it seems to be that perhaps you really need to be a very mature reporting organisation.

CHAIR: Which one is that?

Ms MARDIROSSIAN: It is about sustainability and what you do in the international global context, as to how that impacts on everything else. I really have no idea how to measure that so we just said that we do not really know.

CHAIR: Because even the GRI staff have a sustainability reporting mechanism for each one of them—how they get to work, whether they ride their bikes or drive their car, how many plane trips they have—and they actually add up the particular impact on the world of their decisions in doing their business. You obviously have not gone that far?

Ms MARDIROSSIAN: No. But that particular principle is more about the business and what you do and then take that from your local context and put it in the global context and then calculate what the impact is on sustainability. We do not have the means. We can spend lots of money researching how you do that but we thought that the money could be spent better elsewhere.

CHAIR: So pretty much you are saying that GRI has a good set of basic principles but its framework and indicators are too extensive and will take a lot of resources of Landcom to fully comply?

Ms MARDIROSSIAN: No, what I am saying is that the principles are applicable, and we have used those; the generic indicators they provide are more based on extractive industry and manufacturing businesses, therefore they are not relevant to us. We have tried to adapt as much as we can from those indicators and to incorporate them into ours. We are actually in support of GRI because that would provide some international basis for how the reporting might be done, but it will need to develop public sector supplements. They have sector supplements.

Mr JOHN TURNER: They are starting to look at that now apparently.

Ms MARDIROSSIAN: And the Victorian government has just held a briefing on 21 March to look at these public sector reporting supplements. For us that would provide, if the New South Wales Government was to do that, a fair bit of guidance into how GRI might be applicable to the public sector. Of course, there are things in GRI like child labour: that does not necessarily apply to the public sector so what is the point of spending a whole page in describing why you did not report on this particular indicator, where there are all these local regulations and reporting mechanisms in place and there is no way you could have actually employed the child labour? So there are a lot of unnecessary things there where there are already other mechanisms taking care of them and we do not need to spend pages and pages of reporting time.

Mr PAUL McLEAY: Do you find that since you have embraced your bottom-line reporting you have found your statutory reporting requirements easier to meet, and do you reference them through this data collection? Is there a way you think in the future we do not need to provide, say, the RAP report or the State Environment Report or any of the other reports because you cover them in your sustainability report?

Ms MARDIROSSIAN: Unfortunately, we still have to provide the RAP report. The statutory requirements are still we have to provide them through the annual report, but what is happening there is that because of the overlap with some of the statutory requirements, especially on issues of diversity, workplace, equity, pay scales and female employment in the high levels and so on, we actually leverage on that and we provide that information in our sustainability report. In that way we are meeting more of the GRI indicators that are about sustainability at the workplace. But in terms of reducing the reporting requirements, it is not reduced; we still have to report on the statutory issues.

CHAIR: When you were talking about GRI not quite having a full government section yet, even though they are developing, as Mr Turner mentioned, do you think that a whole-of-government approach to sustainability reporting would be good for your agency—basically Landcom reports on sustainability the same as other government departments or agencies—or do you think there should be separate indicators for your particular business? As you said, you are a development business. Or do you think that there could be some hybrid of some basic reporting mechanisms that all agencies could deal with, and then tack on to them separate indicators for your particular area?

Ms MARDIROSSIAN: I think the hybrid is probably the more relevant and applicable case. Every government agency, although they are the same as in government, their core business and the service they provide is different in each case; therefore, it will have different indicators and different impacts. The indicators are developed on the basis of what sort of impact you have on your community and the environment and so on. So for forestry and Landcom to have the same indicators it would never work. But that is only the core business indicators. There are a lot of other indicators, like the workplace and health and safety and all of those sorts of things, that can be standardised across government, and also things like the best ways of communicating those reports.

You asked Sally before a question about the visuals on the achievements. We have different ones, and it would be good to have standardised visuals for communicating very quickly. If you are looking on a page you know if they have met the target, did not meet the target, did well or did badly. They are the sort of standardisations that, in my opinion, would help government agencies and would also help the community to understand so that they do not need to learn a whole set of new rules when they go to someone else's report.

CHAIR: You are saying you developed this pretty much from the ground up with your consultation. Have you been given any support from a central government agency?

Ms MARDIROSSIAN: No. We have used the RAP reporting requirements and indicator 7 in our report is exactly the same. So we have used that framework.

CHAIR: Do you think they could support you or should support you in any way, and if so how? If not, why not?

Ms MARDIROSSIAN: Again, from the supporting perspective I think when you mentioned about whole-of-government indicators and a whole-of-government communication framework, that would probably be the support we would like to see.

Mr PAUL McLEAY: If there was to be some whole-of-government reporting do you think it would need to be set up in a sustainability section or would it be more appropriate that it go in the annual reports as for employment diversification, occupational health and safety and those sorts of things?

Ms MARDIROSSIAN: When we started reporting we did want to integrate it into an annual report, but we actually found that quite difficult the first time around because it tends to lose focus. In our case the annual report is mostly managed and controlled by our marketing group and they did not quite understand the concepts of sustainability, so we had to have a fair bit of control, and every time I tried to relinquish control it became too superficial and we had to pull it back and try and make it have substance. It would depend on the organisation really.

Mr PAUL McLEAY: What is the burden that you are seizing or how much work energy is required to do the sustainability reporting and make it meaningful?

Ms MARDIROSSIAN: In the establishment phase it was quite resource intensive, as I mentioned with the consultation and so on, but once we have established that and once you do it a couple of times it becomes more of a routine; you learn all the efficiencies in the process. So it still requires dedicated resource and focus, but it is not as time and resource intensive as it was in the first two years.

Mr PAUL McLEAY: Have you found, among your employees and your customers, that since you have had a focus on sustainability it has become broader than is actually reported? My point relates to a meeting we had with a private sector company. The Committee was told that since the company adopted sustainability reporting it had become part of the company's DNA—that was the expression used; that no-one would leave a room without turning off the light and everyone would always use two-sided photocopies. It became part of everything they did. In fact, they refused to deal with some customers. Some people they would not take on as clients anymore because they were environmentally savage.

Ms MARDIROSSIAN: I wish I could say that. My views are much more realistic. This is a culture change issue, as with health and safety and the number of other issues, and it takes a long time. We have been on this journey for the past five years, perhaps. I cannot say that everyone does double-sided printing, although we have changed all the printers and photocopiers. It perhaps is not part of our DNA yet, so far as our individual actions are concerned, but we have tried as much as possible to integrate it into our business decision making, so that when we take on projects it is not left to the individual project managers to decide whether they do or do not want to include sustainability. It is not an optional issue and that is what we are trying to push. From Landcom's perspective, if we are going to put anything on the ground with our name attached to it, it should have a set of performance criteria. It is not up to the development staff to decide whether they dismiss it or not; this is the corporate position.

Mr PAUL McLEAY: So that if they want to build this house, all waste will be recycled and all building materials will be taken off-site?

Ms MARDIROSSIAN: Those indicators apply to every project. At the beginning of the project we try to incorporate every relevant indicator into the different stages of the process. For that purpose, it is very important to actually understand what the process is—how much consistency varies from one team to the next. Once we map the process we can see clearly where the steps are and what sort of impacts relate to each step. Therefore, we can integrate the relevant components of sustainability into each step of the process. In regard to acquisition and due diligence, we look at issues such as the cost and the feasibility of providing certain sustainability features or measures into the development. We also look at the physical opportunities and constraints that the site provides and how we might take advantage of the site. That takes a lot of up-front thought. You cannot just run with the normal model and say you will apply due diligence, value the land and pay so much money. You have to look at factors such as: how much you can deliver, how much you can push the boundaries in a particular project, what your internal rates of return are, what your margins are and whether it is feasible to do certain things on that site.

Mr PAUL McLEAY: That was going to be my next question. Does it lead to more expensive products for your customers to buy?

Ms MARDIROSSIAN: In most cases, yes. Well, it is not so much that it leads to a more expensive product, because the value of the product is determined by the market.

Mr PAUL McLEAY: Would your profitability levels adjust?

Ms MARDIROSSIAN: In some cases we do have to look at what the issues are, but the sustainability component is really minuscule in comparison with the land value.

Mr PAUL McLEAY: Is there a value—1 per cent, 2 per cent, 10 per cent?

Ms MARDIROSSIAN: For energy efficiency, I do not know overall what it is because we have not done those calculations. But we have looked at two or three different hypothetical case studies. If you had a base case house, in order to take that to a 40 per cent conservation level, I think it is about 1 per cent of construction to have energy efficiency. It is about \$3,000.

Mr PAUL McLEAY: Your profitability for 2002 decreased marginally, from 51.2 per cent to 48.8 per cent. I would have thought that was at a time when the property market was increasing. I would have thought there would be more profitability that year. Was that due to sustainability or to other factors?

Ms MARDIROSSIAN: I cannot answer that question correctly because I do not know why that is. What I can say is that probably we should not look at just those two numbers but at the whole balance sheet—if there were underwritings or other factors that have affected that. What things have happened in that year as opposed to the previous year. I can obtain that for you. I will ask the General-Manager (Finance) to provide a response for you.

CHAIR: Thank you. Once you complete your sustainability report, have it tabled and people read it, how to members of the community know that what you are saying is accurate? Do you have it properly audited or verified in any way?

Ms MARDIROSSIAN: We have an independent auditor to verify our report, based on AIS 1000 standards. We have that done every year. Our past three reports have been verified.

Mr PAUL McLEAY: May I ask why you use URS?

Ms MARDIROSSIAN: Because Sydney Water had used them and they came with glowing recommendations. Also, Forestry uses them as well. The recommendation from Sally-Anne Japiahur was that they were very good.

Mr PAUL McLEAY: Is there a panel to select from? Everyone appears to use URS.

Ms MARDIROSSIAN: It is not so much URS; it is the actual person. I do not know whether you know Terence Jeyaretnam. Terence was instrumental in the development of the Commonwealth reporting framework; has worked with the Department of Environmental Heritage and with many Victorian companies on sustainability, developing this reporting; and was part of Cyrus early social sustainability indicators and the development of GRI. So he has done a lot of work and he comes highly recommended. We used his services when he was with Cyrus for the consultation, and then we have used his services for the verification as well.

(The witness withdrew)

(Short adjournment)

JOHN WILFRED RAYNER, General Manager, Sutherland Shire Council, Eton Street, Sutherland, New South Wales, and

SIMONE CORINA SCHWARZ, Manager, Strategic Planning, Sutherland Shire Council, Eton Street, Sutherland, New South Wales, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr RAYNER: As General Manager of Sutherland Shire Council.

Ms SCHWARZ: As Manager, Strategic Planning, Sutherland Shire Council.

CHAIR: The Committee has received a submission, along with a number of reports, from you. Is it your desire that those documents form part of your formal evidence today?

Mr RAYNER: Yes.

CHAIR: Would you like to make an opening statement about the importance of triple bottom-line sustainability reporting for the shire, and how you use that in making decisions for the shire?

Mr RAYNER: Mr Chairman, I might start, and then Simone may add to my opening remarks. Simone is the manager of our strategic planning unit, which the council established in 1995. The purpose at that stage was to develop a strategic plan for Sutherland shire, to take the shire and the community through to about the year 2030. That is the document that I display at the moment. I will table some documents shortly. The role has evolved since that time, mainly to integrate that strategic direction into council's management plan, and that flows into day-to-day actions and activities of the council. Simone is also responsible for the preparation of that management plan, which, as you are aware, is now in the triple bottom-line format. Associated with that, the unit also develops performance indicators and monitors our performance under both the management plan and also the community's direction for Sutherland shire, in our State of the Shire report.

Sutherland shire is the second-largest local government area in New South Wales. We have a population of around about 215,000, and it is growing. Of the 370 square kilometres of area, approximately half is national park or bushland. I guess the waterways and bushland provide a fairly unique metropolitan living environment, which is really respected by our community, and that community has ownership and wants those values maintained and improved.

Council itself has a budget of approximately \$180 million. It provides quite a wide range of services and facilities. We have round about 1,200 staff. The way staff numbers have changed over the years indicates the commitment to sustainability that the council has. We have had growth in social areas, such as child-care, growth in environmental management, and growth in leisure. All of those areas contribute to better community life, and it is a practical commitment that the council has to that community desire that those values be sustainable.

Our hierarchy of plans and the package, which the Committee has, include the State of the Environment report, which we have a couple of hard copies of, but mainly on CD-Rom; a summary of the State of the Shire report, together with the State of the Shire report for 2004; Our Shire, Our Future, the guide that we use to take Sutherland shire to where we want it to be in the year 2030; and our last annual report and management plans, both triple bottom-line documents. If I may, Mr Chairman, I will table those documents for the Committee.

Documents tabled.

Our hierarchy of plans and reports have a very strong sustainability theme running through them. In 1997, our community defined its vision for the shire, and I will quote that. We consulted with round about 17,000 people in coming up with this plan and this vision, so it does belong to our community:

Sutherland shire, in Sydney's south, shaped by bays, rivers, beaches and national parks.

A community working together, to attain safe, healthy and active lifestyles, through accountable decision-making, that achieves sustainable development and economic opportunities, which respect people and nature.

That vision was adopted by the people of Sutherland shire in 1997. The council is the custodian of that plan, and has a role to play in delivering some of the directions, and we do that through our management plan. The State government has a role, as does the Federal government, the community, business groups and of course individuals. We monitor the progress in achieving that direction through our State of the Shire report and also through some of the actions that the council takes. Whilst there may be a number of interpretations or definitions of what we mean by sustainability, we do include a sustainability statement in that report. I might read that statement, which is contained in the State of the Shire Report 2004:

Sustainability is the ability to provide choices for future generations of the Shire without compromising those of our generation.

The Shire has made progress in addressing challenges in community issues and safety, the natural environment, and transport, identified in 2000. Further integration of transport choices with land use, which affects community issues, safety and the environment, is required.

An informed democratic process which carefully addresses Shire risks, and continued commitment to sustainability in council management, are fundamental to achieving sustainability.

CHAIR: Is there any reference to economic indicators or jobs growth in your sustainability statement?

Mr RAYNER: Not directly, but we do talk about providing choices for future generations, and those choices include those related to employment and investment. There is an economic focus in our shire vision and our strategic plan.

Ms GLADYS BEREJIKLIAN: Although you have a separate section, under your primary principal activities, for economic issues.

Mr RAYNER: Yes. Our management plan, as I mentioned, is based on triple bottom-line principles, and its direction of course is to pursue sustainability across those economic, social and environmental principles. Our regime of plans and reports reflects the community vision and a sustainability theme, and that is carried through to decision-making and service delivery. Councils are, by their very nature, triple bottom-line organisations. I think they were that way long before the word "sustainability" gained the importance that it has. Councils, through legislation, must produce a management plan. Some councils, like ours, have moved a step further and introduced the triple bottom-line approach. We must produce a social plan, a state of the environment report and a local environmental plan. All of those, I believe, contribute to a sustainability reporting package. So, in terms of planning, reporting, monitoring and delivering, we are learning, and I think we are constantly improving. We look forward to sharing the next period of time with you in exploring what we are doing.

CHAIR: You spoke about the large amount of consultation that the shire went through to achieve your reports and visions. Who were the drivers behind that consultation? Was it your elected officials? Was it the public at large? Was it the staff? And how important is leadership in driving these issues?

Ms SCHWARZ: When we started the strategic planning process we looked at other models. One that comes to mind is the Seattle model. There are other, very good models from round the world. We put up a process, which council adopted, that we would follow. It included very broad community consultation. So our system was derived after looking at some of the other models and what had happened around the world, and what would work for us in the Sutherland shire. We have a very active community who want to have a say in Sutherland shire issues. We had an enormous response to a survey on the future of the shire. People had said, "Nobody is interested in filling out this type of survey." We had 12000 surveys returned. So people were very interested in the future of the shire. It was a combination of looking at good practice from around the world and councillors and senior management going along with that good practice and being part of it.

CHAIR: What did you think was good practice about Sustainable Seattle, given that it is not a local government organisation but, rather, a community group that got together and wanted to look at some of these issues?

Ms SCHWARZ: We knew that the issues we were looking at would be complex, and council is only one player in those issues. We wanted to have a process that would include all the different stakeholders, to be able to address the complex issues within any community.

CHAIR: I ask the question because Sustainable Seattle is not a professional organisation such as yours.

Ms SCHWARZ: It was a combination, I think. It was very much community driven, but there were also some aspects of the city wanting to be part of it as well. One of the other major issues was that our Director of Environmental Services had won a Maynard Scholarship, I think it is called, and had toured Northern America and came back with lots of examples and wonderful ideas. We certainly used that as a resource. That is probably one of the major reasons why we followed some of those examples.

Mr RAYNER: The council certainly had a background of consulting with and involving its community, and that went back some decades. At the time, I certainly had some enthusiasm, as did Simone, about involving the community. In that era we had a couple of councillors who were very strong on involvement of the community, and they pushed it hard. They also stepped back. Whilst they drove the idea and got the process running, they stood back and let the community have its say, and did not really come in until the end of the process to say, "Yes, we are going to endorse this." So it was quite a good model in terms of involving a community—and not just the regulars in the community. I think it is the situation in most communities. You will have 20 or 30 people come in regularly to sit in council meetings, and they often have quite a say in what goes on locally. Our aim was to get to the people who went into town every day for business, for example, but also had to live in our community. So we went out of our way to make sure we got a good cross-section of people involved.

CHAIR: Are the elected representatives aware of these issues, and do they practise what they preach, or advance the issues? Have they developed a culture of sustainable actions within council?

Mr RAYNER: I guess it varies with individuals. Generally the council is totally committed to the planning, and some councillors show more interest in it than others. The reports that assist with decision-making will refer back to a lot of these documents. On the staff side, I think there is a growing understanding and acceptance. We feature the management plan, the triple bottom line approach, at our inductions of new staff, and we run workshops for staff. Simone's group runs different lunchtime sessions that relate to elements of sustainability. I think it is growing.

The size of our organisation also assists, because we are of a size where we can engage people of a certain level of expertise to assist the rest of the organisation come up to speed with, say, environmental issues or social issues. An example of that would be the environmental science unit, which we established in the very early 1990s. That added a new dimension to the thinking of the council and our staff, and received very good acceptance within the community that we actually had people who were expert in environmental issues and environmental science who could assist in whatever projects or policies we were pursuing.

Mr PAUL McLEAY: Without touching upon the policies of elected representatives, since 1995 has there been a continual improvement in sustainability, or have there been changes?

Ms SCHWARZ: The suite of documents has continued to evolve, and the specific indicators within the State of the Shire Report—I think the first one we did was in about 1996. Over that time there have been changes in the direction of the arrows, whether they are moving towards the shire vision or away from it. Even within those indicators there have been some improvements in some issues. For example, water quality has improved enormously during that time, but there are still issues that indicate the environment is still obviously an issue.

The three differently constituted councils since 1996 have maintained the direction. We are about to do an update of the strategic plan, whereby we will go back to the community and see if the directions are still current. But in all that time the council has maintained the overall direction that was established in that first strategic plan, and the suite of documents has gone in on that as well.

Mr RAYNER: I might add to that. I do not believe there is any difference on the main environmental agenda or the social agenda. We have a number of broad environmental policies and approaches. Whether it be on water conservation, water quality, bush care, or the environment generally, I do not think there is much difference in opinion between councillors. The change comes with regard to more specific issues. For example, with regard to the Lucas Heights reactor and issues associated with that, there will be different stances adopted by councillors. But on the main thrust of sustainability, I do not believe there is too much difference of opinion between councillors, regardless of their persuasion.

Ms GLADYS BEREJIKLIAN: I found the conclusion to your submission extremely interesting. Do you feel that the reporting has in any way impacted upon the decision-making process, or do you think the reporting is a reflection of what you would do anyway? Essentially, I would like to know whether you think the reporting structure you have adopted impacts upon the decision making in the various parts of council, or whether it simply reflects the good work you are doing anyway.

Ms SCHWARZ: My perception is that it is a bit of both. It is not perfect, by any means. But because we have taken the approach that we are a triple bottom line organisation anyway, the approach we have taken is that all our key performance indicators are triple bottom line indicators. It means that we report in a positive fashion on all the achievements, the satisfaction categories we have, and the effectiveness. But that does not mean that we do not look at some of the negative impacts as well. With regard to the performance indicators within the management plan, there are currently 299 indicators. When I pull them all together at the end of the year, it is just huge. We are looking at refining that and perhaps coming up with a set of critical indicators, because it is almost overwhelming to get information on 299 indicators.

Mr PAUL McLEAY: Who came up with the indicators?

Ms SCHWARZ: What we have tried to do in the management plan is reflect everything the organisation does. Out of the 60-odd different units that we have, there are only a few indicators for each unit. But because we do such a broad spectrum of work, when it comes down to it that adds up to 299.

Mr PAUL McLEAY: Sutherland Shire Council came up with the indicators?

Ms SCHWARZ: Yes, in consultation with all the managers in our organisation. The reporting is still a challenge, but we try to feed in and learn. If we have had a downturn in a particular activity, we try to feed that in and look at why it has happened. So it is a bit of both.

Mr PAUL McLEAY: Have you looked at any global indicators that might assist you? In particular, could you comment on established framework, such as the global reporting initiative, or perhaps SSROC or regional council indicators?

Ms SCHWARZ: I have certainly looked at the global reporting initiative. Our feeling is that there is too much focus on the reporting. For example, currently we report on the amount of fuel the council uses, regardless of whether it is diesel, LPG or petrol. That gives us an indicator by which to measure whether we are trending downwards or upwards. In the next management plan we will look at going towards emissions. It is almost that "Yes Minister" scenario: if you do not use any petrol, you are not delivering any services; you are actually achieving a better outcome in that goal.

We are looking at measuring emissions so that when you go to a more environmentally friendly type of fuel you can decrease the amount of negative emissions but keep using the same amount of fuel and doing the same amount of work. But my feeling is that one indicator like that is enough. The global reporting initiative splits that into all the different types of emissions that are produced. You are not reporting for reporting sake, you are reporting to get some sort of change, a result or an outcome. Reporting is not the end result that you are looking for, you are actually looking

at what has happened and how it can be improved. If you can do that with a more minimal amount of monitoring and reporting, if you can achieve the same result there that is the way to go. Otherwise you could employ teams of people doing all this reporting.

Mr RICHARD TORBAY: It sounds as though the indicators are an evolving process?

Ms SCHWARZ: Yes.

Mr RICHARD TORBAY: No doubt discussions and communications are happening in areas in which they did not happen before, which would be a benefit. But are they so many indicators that they take away from the purpose of reporting? Are you comparing apples with apples or does the change corrupt the information you are collecting?

Ms SCHWARZ: It is a constant issue. I have looked all around the world. I have looked at a lot of the UK examples where they had a lot of emphasis on different types of performance reporting. There is no perfect set of performance reports. It is something that comes up constantly at directors meetings. We look at it through the managers. It is evolving. We are looking at halving levels of reporting. The concept we want to trial is critical indicators for councillors and organisations. Probably we would still keep the 299 but put them down to a unit level reporting so that it becomes a management-type level reporting.

Mr RICHARD TORBAY: An information system?

Ms SCHWARZ: Yes. Again, we are looking at trialling that, but we have not trialled it yet. We do not know how it will work.

Mr RICHARD TORBAY: Would you comment on the benefit of communication and discussions about establishing these indicators? Is it having a benefit within the organisational culture?

Mr RAYNER: Yes, it certainly is. It is breaking down a lot of barriers between different divisions—local government is renowned for those barriers being there—and creating a better understanding of what other people are doing. People are finding ways of helping or saying, "I do a similar thing", which means that we are able to deal with potential overlaps in the organisation through that process. It is evolving. We have too many. I could not get across all the 200-odd indicators because I just do not have that time. But we are now refocusing on the things that are important to us and I can get across that. Those indicators have had to change because the issues that you are facing in your community will change also. You will get on top of something that you were having difficulty with and then focus on something else that is running in a poor direction.

Ms GLADYS BEREJIKLIAN: Could you give us an indication of how much the process costs per annum in terms of staff time and other costs that might be incurred along the way, and what your response is to that cost?

CHAIR: Is it worth it?

Ms SCHWARZ: The general manager might like to answer this one.

Ms GLADYS BEREJIKLIAN: I will ask the more general one first.

Mr RAYNER: There is a statutory imposition on local government anyway through producing a state of the environment report, a management plan, an annual report and a social plan, plus a range of other documents we have to provide. We have never really costed what they are. We have not costed the enhancement that we have done through the management plan. Ms Schwarz's unit has changed. She probably could tell us what the cost is better than I could.

Ms SCHWARZ: About \$500,000 I think it is.

Mr RAYNER: But that is not just on reporting, that involves a lot of consultation. It involves surveys of the community. It involves work for other organisations and councils, for which

we are reimbursed. Yes, there is a high cost and it is a cost that not all councils could bear. It is only the larger organisations that should be involved in this level of reporting and planning, but we are also talking about a very articulate community, one that follows their environment and one that wants to improve that environment. We owe it to do that community to make sure that we are properly researched and that we properly monitor our progress in achieving the direction. I believe it is money well spent. It is a unit that is highly regarded by our councillors. I certainly would not think that smaller councils should have that sort of requirement on them.

Ms GLADYS BEREJKLIAN: But, given the size of your counsel and the public interest you have described, notwithstanding that was mandatory you would provide this type of reporting irrespective of the cost.

Ms SCHWARZ: We are doing that suite of reports now.

Ms GLADYS BEREJKLIAN: But in terms of medium and long term?

Ms SCHWARZ: Yes. We use them very much in our planning process. The State of the Shire Report really highlights the critical issues for our community. It really directs the sort of work that we should do as an organisation as well where we should lobby other levels of government or work in with the community on a particular issue. The documents are very much used to set the direction of the work that we need to do. We are not required to do them now, and we do them and we use them.

Ms GLADYS BEREJKLIAN: Do you have any opinion as to what you would regard as critical mass or size, where to make sustainability reporting a necessary part of reporting? Obviously, a council of your size has established reporting processes yet you are conscious of the fact that smaller councils probably would not be able to devote sufficient resources to this. Do you have a notion of a benchmark or a size that you think would be acceptable?

Mr RAYNER: No. Different levels of sustainability reporting are required. Different communities will accept different standards of reporting and planning. I do not think there is a benchmark on that. I do not believe there is a benchmark. I am not sure what Ms Schwarz thinks.

Ms SCHWARZ: I think it is more what is applicable to your community. If you made it mandatory in some way then the organisation does not have that flexibility to look at what is relevant for their community and that is the strength of our documents. Even the State of the Shire Report, those indicators really are worked up with the community, so they are really part of what the community wants to see.

Mr RAYNER: I believe the state of the environment report, which is a statutory document, is a sustainability report anyway. Local government generally has that imposed on it. I would imagine that smaller, particularly rural, councils would have difficulty in meeting the standard because of the financial pressures they are under. I guess all councils are under those pressures. I would not like to see another level of reporting imposed on local government.

Mr JOHN TURNER: Do you see a position where these sustainability reports can start to rationalise some of the reporting processes and/or change the reporting processes down the line? They are pretty stereotyped now. You explained earlier what has to be lodged. Once they have been lodged one wonders what happens to them and how effective they have been. Do you see sustainability reporting being able to change that mindset? The report is done, it has been done to meet the criteria required and then it is probably put in a draw.

Mr RAYNER: Do you mean whether people are actually responding to that and there could be a requirement?

Mr JOHN TURNER: You have to put all these in and they are all set to a criterion, which keeps the Government, the department and everyone else happy. But you are doing one here that encapsulates a lot of this stuff. Can we rewrite a report system eventually by using the sustainability reports you are putting out to make them more meaningful?

Mr RAYNER: I think there is potential for that whether to pick up key sustainability issues in a particular local government area, whether they be the environmental, social or economic and focus on it. I would like to see those statute requirements simplified. It would certainly assist local government in what it has to do. You have been associated with local government and all of you are aware of the financial pressures councils are under. Yes, a rationalisation could be well worthwhile.

Mr RICHARD TORBAY: So many compliance issues are involved.

Mr RAYNER: Yes.

CHAIR: Articulate or not, when you write a report how does the community have any confidence that what you are saying is correct?

Ms SCHWARZ: On a quarterly management plan reporting?

CHAIR: Yes, do you have your major plans independently audited or verified?

Ms SCHWARZ: No, we do not. The management plan reports go to council. There are questions. They are put on our web site. They are available in the libraries. We have the highest level of scrutiny from our community already without having to have it independently audited. I would feel that would be just overkill, really.

Mr RAYNER: I am sure, in our community, if we had some incorrect facts on the environment the Sutherland Shire Environment Centre would be knocking on the door.

Mr PAUL McLEAY: PricewaterhouseCoopers does your financial report?

Mr RAYNER: Yes.

Mr PAUL McLEAY: Other firms audit social and environmental reports, but that is something you have not felt the need for?

Mr RAYNER: The community is the auditor. Again, is that something the community wants to see its dollars go into or would they rather see that money going into services?

Mr RICHARD TORBAY: But you are saying that your level of engagement with the community is a pretty good insurance policy?

Mr RAYNER: My word. Yes, very much so.

Mr RICHARD TORBAY: As well as being articulate they engage in a process?

Mr RAYNER: Yes. They will read a draft management plan and they will comment on it and they will challenge.

CHAIR: But if you said to the community, "We have emitted so many tonnes of greenhouse gases", how would they know? No community member, no matter how smart, would know how you arrived at that figure. I have a maths degree, but I would not know whether you were right or wrong.

Mr RAYNER: The issue is whether it is trending up or down. One figure out of context will not do anything anyway. The information the community wants is whether we are emitting more greenhouse gases and even at a management level that is the information you are looking for and then whether to focus on data. As an organisation we might say, "We have had to buy 10 new garbage trucks and we have increased the pick up to two green bins a week." There might be reasons why the emission has gone up. It is asking more about the questions behind the trends. That is more the issue of what you do with the result.

CHAIR: You can compare results with yourselves each year. What sort of communication do you have with other organisations, such as other councils? How do you relate with other organisations to compare and contrast what you are doing with what they are doing?

Ms SCHWARZ: We do a number of things. We are involved with the SSROC in a number of different levels. I am not involved, but a number of different officers could be involved on that level. Mainly through seminars and conferences—I have given papers—through professional associations, and I am a member of several of those. Often councils request our information. I do case studies at the UTS Centre for Local Government Graduate Management courses on our management plan and our strategic plan. It is through those sorts of mechanisms that we get information, and we get a lot of calls and requests from other councils for copies of our documents.

Mr RAYNER: There is nothing formal. There will be occasions when we do want to compare our statistics with other local government areas relating to some policy change we wish to make, but there is nothing formal. The only formal indicators, I guess, are those produced by the Department of Local Government, but there are very few indicators on sustainability in those comparisons and they are all related to inputs rather than outputs, and they are probably very, very meaningless and are probably due for revision, if they were to come up to a mark which would relate to sustainability objectives of communities.

CHAIR: I wish to go back to the point about indicators. You decided you are not going to follow the GRI framework and you would utilise eco-accounting in a property management framework. You set out what you are using and the numbers. Are you aware of the global footprint or the footprint form of reporting? Do you want to tell us why you do not employ that form of reporting?

Ms SCHWARZ: I guess for several reasons. Because we already do collect a lot and do a lot of other monitoring and sustainability-type reporting and because the footprint as I understand it—

CHAIR: It came from Santa Rosa.

Ms SCHWARZ: Yes, the ecological footprint. That is a way of actually calculating, you know, how much per person it may be, or as an organisation what our ecological footprint is. But, by definition, a city—and we are in the metropolitan area—the idea of the city is that you bring people together and you use resources from outside that geographic area—water, energy and food. The sustainable city concept, I am not quite sure how that works. So we have decided not to go down that path because we have collected enough information in other ways. I am not actually sure that the information that it would give you would result in very practical impacts on the ground compared to what we already know. It would give your interesting information, but I am not sure that that necessarily converts to direct action.

I cannot see the point of reporting or collecting information just for the sake of it. To me, if you are collecting something, you need to do something with it. And what we are actually doing with our indicators is culling. We have culled out the ones where the information is the same every quarter. There is no point in collecting that information any more because it is just always the same. It is of no interest any more to anyone when it does not move up or down. You really have to have something that is going to give you information that you can work with, that you can make some changes with. I just feel that the ecological footprint would not give us any additional information that we could actually use.

CHAIR: It would probably be quite scary to your community, too, when you tell them that you actually need a small country to sustain what they are utilising.

Ms SCHWARZ: Yes.

CHAIR: But what I liked about the ecological footprint is that it does actually tell a person that they are taking up a lot more space than they probably think they are. A lot of the greenest communities actually have the biggest footprint. Just to get that message out to the community rather than lots of words and numbers on a report and say, "Hey, you as a person in the Sutherland shire, you might think that you take up your little house but you actually take up a quarter of the shire", I suppose this Committee is interested not just in the sustainability reporting, but in how that report can be communicated to a person in a form where it resonates within them.

Ms SCHWARZ: Yes.

CHAIR: I agree with a lot of the comments you made about the footprint, but the thing I like about it is that it is quite simplistic. Once you put in all the data, it does tell you what your footprint actually is.

Ms SCHWARZ: Yes. I believe that the Wollongong City Council did do that exercise. Like, I think they did it once, and I believe that that is where it stayed.

CHAIR: It would have an enormous footprint with the steelworks and what have you.

Ms SCHWARZ: Yes, that is right. Just on communicating those issues, in the front of the State of the Shire report, there is a very simple thing with the arrows.

CHAIR: Yes, I saw that.

Ms SCHWARZ: I have spoken at lots of different forums, and people can understand that immediately. People such as students—I have spoken at Probus clubs to retirees and other groups, and that seems to work really well—can understand whether things are moving towards or away from the shire vision in a really simple way.

Mr PAUL McLEAY: One of the questions about it is, particularly if you are going so far as to have a bottom-line report and publish it, by how much the performance differs from the target. There are no targets. The target is the vision statement, but how do you drive a culture of sustainability if you do not have reporting targets? Even with civic participation, I know that the Sutherland shire is above the national average, but is our target for unemployment going to be 3 per cent? The unemployment rate is 3.5 per cent, so is our target to be 3 per cent? If the target is zero unemployment and your rate is 3.5 per cent but next year you are at 3.49 per cent, you actually will have a big arrow showing that you are getting closer to it. But when it is reduced by such a minuscule amount, how do you get beyond the immediate impact of the trend? Presumably it would be unchanged if it drops by .01 per cent, but if there are no targets, how do you get beyond the immediate impact?

Ms SCHWARZ: I agree that targets would be great. That is something that we are looking at but they are extremely hard to set. The way we look at it is more at the information trend: that is, over time, are we moving in that direction, or are we moving backwards? So it is really making a value judgment about the trend of that particular issue rather than setting a firm target. Even if you set targets, there are value judgments within that. It is just knowing that you have made that value judgment to do it in that way, but certainly I know the value of targets.

Mr PAUL McLEAY: Are their 299 indicators? Do you have targets on those, as management?

Ms SCHWARZ: On some of them we do—like, construct seven bus shelters, lay two kilometres of footpath. Some of them are very tangible, such as extra gross pollutant traps [GPTs], but some of them are very difficult when you get to more of the social type of issues. Some issues are very hard to set targets on. It is again something that we are looking at to try to do that, to try to set targets on some of these key performance indicators.

Mr RAYNER: But it is very difficult, though. The State of the Shire is Sutherland shire, where we want it to be, and the council is only one player. It is very hard for the council to say that these are the health targets that we should be setting in our area because there are other players such as the Federal and State governments. I do not think it is fair. We can make representations to try to push and get improvements, but I do not think it is our role to set those targets for the broader issues over which we have no control anyway. I guess that probably leads me into something else. I think that State government departments or organisations should be more closely liaising with local government in setting their plans and their directions and taking on board what some of the local community aspirations are, rather than developing those in semi-isolation.

Mr PAUL McLEAY: So you would be concerned if the New South Wales government agencies were having targets set without contacting stakeholders. Is that what you are saying?

Mr RAYNER: I think there would be some value in State government agencies consulting with councils within a region, or wherever the plan related to, in just understanding exactly where that community was coming from through a local government perspective. I think it might get greater ownership of some of those directions as well.

Mr JOHN TURNER: But there is some difficulty in that, John, though, is there not? If you are applying State Government policy across the State, it is admirable to take on what your community wants, but it will not work in Warialda or somewhere like that.

Mr RAYNER: No. I am talking more about regional plans. Sure, State plans have a different hierarchy, but for large regional areas where there may be some local government input required, I think it is important.

Mr PAUL McLEAY: You mean like building a freeway, for example?

Mr RAYNER: I am sure that there would be plenty of local input into that.

Mr PAUL McLEAY: If you have a shire vision and then you have something that your staff and community participate in, and a broad group of directly elected people is on that, essentially, management committee or your council, and if people get elected on what they believe is their platform, which includes a certain issue that conflicts with shire policy, is there a way to deal with that? Is there any obligation on people to say, "What about the shire plan?" I participate in a few of the reviews and some people have a view of something being absolute zero. Unless we achieve zero in certain indicators, we have failed. Should you have that arrow getting closer to the vision, it would not matter if the solution is thought to be zero. How do you find elected players within council, if their ideas conflict with that vision?

Mr RAYNER: Quite often when decisions are taken, particularly development-related decisions, we will get people who say, "Well, it does not say that in this document. You have gone against that." I guess the individual right of the elected member still comes through, regardless of some of these planning documents that we might have. But certainly there are occasions where it is brought to our attention that a council decision is not, in the interpretation of that particular person, in line with an objective or a direction on these plans. I do not think we will ever overcome that.

CHAIR: It has been very interesting. Thank you for all the effort you have taken in providing us with all this information. It has helped us enormously.

(The witnesses withdrew)

(Luncheon adjournment)

RICHARD POWIS, Chief Executive Officer, Integral Energy, Huntingwood Drive, Huntingwood, affirmed and examined:

CHAIR: I am advised that you have been issued with a copy of the Committee's terms of reference as well as the Legislative Assembly's standing orders. Is that correct?

Mr POWIS: That is correct.

CHAIR: We have received a submission from you as well as the document "Dedicated Delivery". Is it your desire that these documents form part of your formal evidence today?

Mr POWIS: Yes.

CHAIR: Would you care to make an opening statement outlining some of the drivers for your sustainability report?

Mr POWIS: If I could just summarise the view, sustainable reporting is an issue that must be addressed. We at Integral originally had a sustainability report and we also had our business plans, et cetera. We had them separate. I think it is our considered view that anything to do with reporting of a substantial nature should be included in either the annual report or the statement of corporate intent, because the statement of corporate intent is about our business imperatives and what we are doing, and the sustainable report should be about economics, the environment and the community and it should be an all-inclusive report as opposed to being a separate report. So if I were to summarise it, I suppose I would encourage the Committee to move to keep it in the same process as it currently exists, as opposed to having something separate.

Within the annual report process, as you picture, we already have to report things like overseas travel for people, consultants, et cetera, and a sustainable report could be in there as well and it then comes in a more public document. It becomes then a statement. The statement of corporate intent is roughly our intentions to move forward, which I signed off with the treasurer to say that this is what we as an organisation are planning to do in terms of the network. I think that sustainable should now start to be more encompassing because if you look at the issues in relation to infrastructure these days where skills development is becoming an issue, that should form part of the sustainable as well. Then you have the economic and social issues as well. So to me it should be embodied.

CHAIR: You said at the beginning of your evidence that sustainability reporting is something that must be done. Why do you think it does?

Mr POWIS: I think in particular if you have an infrastructure business you have an obligation to ensure that the business is—and I use these words advisedly—sustainable for the long term. It has to be sustainable for the long term and the public needs to see what you are doing in that space, because I think people want several things from us. They want to ensure that there is a skills base moving forward, so that is sustainable. They want to ensure that resources are deployed, and that is sustainable. They want to ensure that the financial management is one that is not just taken on a year by year basis but is taken for the long term.

When it comes to the environment, I think people's expectation of utilities these days is that they want the money to be spent wisely and appropriately so that the environment is taken into consideration as we move forward. As for community obligations, you could not minimise the impact we have on the community. We have 800,000 customers and we affect the lives of two million people, so what we do in our work affects communities.

Mr PAUL McLEAY: How do you reconcile a lot of your product—what you do internally, customer connections, and all that, the end side of your business, but you do not touch on what it is that you are actually supplying. You do not feel the need to comment that it is coal burning? You do not put that on your ledgers. You get a little tick because you have recycled paper in your photocopiers but you do not say, "but the thing we supply uses X amount in terms of black coal".

Mr POWIS: Within that context, we buy electricity out of the market, of which as you know black coal is a predominant supply. We have legislative requirements in terms of renewable energy. We also have requirements in terms of greenhouse gases and they become part of our normal process. So we buy energy out of the pool. We have our legislative requirements in terms of those so we actually deal with those, and that is the way we tend to do it. We do not make a comment in relation to coal per se. That is a fair comment.

Mr PAUL McLEAY: But you acknowledge that some of your supply is green energy.

Mr POWIS: That is right.

Mr PAUL McLEAY: So if your report is both good and bad, you are reporting the good energy or the green energy but you do not comment even on the traditional consumption.

Mr POWIS: To answer that, we do not put how much greenhouse gas is a result of end users' use of energy and the impact on the environment. So you are right.

Mr RICHARD TORBAY: In your introductory comments you said something about the reporting process which will be brought in together, one of those two documents. We have heard evidence to suggest that sustainability reporting is dynamic, there is a lot of feedback that goes into the process, key indicators can move or be extended and the annual report is essentially a process that deals with the minimum requirement and we table it in Parliament. People have said that even trying to bring those two processes together is very difficult because of the dynamic nature of the sustainability reporting. What are your comments on that?

Mr POWIS: It is dynamic, it is changing and it is evolving. I think that is a fair comment. But the issue is that the annual report is a very formal process which we take extremely seriously, and I tend to think that that is the issue. It kind of forces a discipline. If things are going to change, then you can put notes to your accounts. The same way you have your profit and loss or balance sheet, you do notes to the accounts. The reason I like that is that it forces discipline. It forces a kind of incremental way. If you are worried you can then say, "we would like you to estimate" or whatever and work through that.

The process would be that the statement of corporate intent [SCI], that there would be a specification that we want, not only the financials, we want all these other performance indicators and we want a statement. There is a big push nowadays on skills training. With skills training, people would not have put it as a line item in a report. They would have been doing work on it and apprentices, et cetera. But it now requires, given that the population is going in the dynamic way it is, for people to start to plan for the future and put that in place.

Mr RICHARD TORBAY: But if you force targets, like getting people to determine a target, do you not pre-empt or indeed devalue the information that has been building up over a period of time so that you can have a target that actually means something rather than forcing an outcome for reporting's sake, a deadline? I suppose I am trying to find a balance between those two positions.

Mr POWIS: I now talk as a CEO. CEOs respond to performance measures. If you give me a performance measure which is a specific target, I will go for it. If you tell me that it is potentially, you make a judgement call. So performance measures and performance management and it really comes down to the expectations of my shareholder, and that is roughly what it is. If the shareholder were to say to me, "Richard, we want you to go in this direction", and I do not have a logical reason to say that we should not go in that direction, and there are performance measures on that track, I will go down that path. I am not as worried about tough targets. That is life, and I have them all the time. I have reliability targets and safety targets—I have a whole range of targets. Sometimes we miss them but it is the fact that we have a target that makes us go for it.

Mr RICHARD TORBAY: My point is not about a difficult target, because I agree with your comments. I am thinking about an accurate target. You want to ensure that the target is achievable and that goes to the integrity and the quality of the information or the trends or the period of time that you have been collecting the data.

Mr POWIS: I will give you an example. We have a reliability target, which is roughly minutes lost per customer. We have put a lot of effort into collecting that but every year goes by and our sophistication at getting that figure right and accurate and down to a feeder level is improving. The problem is that every time my staff go to make it better and more accurate, it seems to make it worse for me. But that is life. I will not walk away from the fact that you need a target in that space, so we keep going on it. Do not get me wrong; it is a problem and an issue, but in the absence of a hard target the potential for drift is there.

Mr PAUL McLEAY: I think one line in your report states that one emission—it was not carbon—actually increased and your report said that that is because "we have collected our data better than ever before".

Mr POWIS: I do not want to be totally negative in there. It is just that we did a step change on reliability and the figures went through the roof so I actually said to my people, "If I stop improving the figure it will actually get better". I will not do that because I think that you have to improve that because the community's expectations are improving. So we have to spend more time in this space. It is life.

Mr PAUL McLEAY: How did you come up with your indicators and what you put in there as your targets?

Mr POWIS: You look at industry best practice. If you go through the standard ones, we have reliability, safety. Safety is a good one. We had an organisation on safety drifting around 15.

CHAIR: Fifteen injuries or what?

Mr POWIS: No, it is a frequency rate. That would equate to about 30, 40 accidents of a reasonable nature each year. When I say "reasonable" it is back pain or whatever. The problem is that we have now got it down to seven. I have put a target, which is a stretch, down to six, and we are trying to force people to focus on safety as an issue. The same with greenhouse gases; if you do not set a target on renewable energy, people, because of the cost differential—take coal; I can get a contract on coal at about \$40 a unit. If I go to a wind farm it is about \$80 a unit, and a biomass is about \$60 a unit. With the wave machine we are supporting in Port Kembla it is more than \$100. You would have to put a lot of those in, but our aim is in that space we look at the fact that you do need to do R and D. If you do not spend the money on R and D you will never know, so you have got to do that sort of stuff.

Mr PAUL McLEAY: Just going back to your indicators, can you compare your sustainability report to other energy retailers? If you wanted to use it as a comparative document would you generally have indicators that would only be compared to other energy retailers or could it be a standard government one? In answering that, have you looked at things like the global reporting initiative to come up with your indicators?

Mr POWIS: Yes. I think if they were to adopt the same indicators then you could do the comparison, and the global reporting indicator would be the way to go. So we would support moving down that path; we would support it particularly for utilities. I think you could go broader because you actually start to pick up what is an international one. If we go as a special one and try to pick our own one we will actually miss the point of benchmarking, comparison, et cetera, and you need that extra discipline. So GRI is the way to go, and we would suggest that that be implemented across-the-board.

CHAIR: Across-the-board for all similar industries or for all government departments?

Mr POWIS: I will say similar industries because I will leave it to a better thought process to work it on other government departments because they may have different views.

CHAIR: I am looking at your dedicated delivery document and I have got to say I like it because it is easy to read and it clearly sets out all of your performance indicators on social, environmental and economic. I cannot see how GRI are used here, or are they used and you have dot-pointed them?

Mr POWIS: We kind of embedded them into the process as best we could. We looked at what was around and we were also doing a few things, but we kind of moved into the GRI.

CHAIR: You would not have used all of GRI though, would you?

Mr POWIS: No.

CHAIR: I suppose what we are trying to work out is, GRI is an effective tool because it actually separates so many things and you can go down with your shopping list and say, "Well, this is relevant. This is relevant". Is that the benefit you get from it, or do you actually get the benefit from GRI in how it is measured and reported?

Mr POWIS: No, people have thought through the process of what you should measure, so we then do not have to do a lot more thinking and we can actually integrate it into our process. There are a lot of things like just how energy efficient your building is, what we are doing with water; there is a whole range of issues. You need that checklist because it is an evolutionary period and our people, you have got a picture of them just grappling with the concept. So it is best to use something and then use the checklist.

CHAIR: I can understand your point that because this document is so slim it could easily be attached to an annual report and does not need to be a particular document.

Mr POWIS: Yes.

Mr PAUL McLEAY: Is it linked to your annual report?

Mr POWIS: We are integrating it into the annual report. So what we are trying to do is combine the annual report because we actually have a very strong view on how the risk management issues should be integrated and how you manage these. You have already got governance issues, you have already got the financial issues, this then picks up the sustainability. So my view within the organisation is that the more reports you have which are linked the more problems you will have in management and getting the right focus. So we are aiming to get everything together, and that includes both in the SCI and the annual report. The SCI is really a government document, so therefore our influence is trying to influence the Treasury, et cetera. So that has got a way to go.

Mr PAUL McLEAY: I went back five years ago to the dark old ages to look at your annual report from 1998-99, before you had sustainability reporting, and what I found interesting—besides a lot of rubbish about the Y2K in 1998—was that your first chapter was about the state of the environment; the next one was about injuries in the workplace. It was almost like it was sustainability reporting before we called it sustainability reporting. The only difference was whilst that was the focus of your business then there were just a few less reported. Obviously you did not have it tested? It was not verified?

Mr POWIS: I was not there in 1998-99, I joined in 2000, but in 2000 we set up what we called an executive environmental committee. We started the process of disciplining how we approach the environment in relation to oil, waste, scrap metal, whole range of issues—Zellweiger relays, which will not mean anything to anybody in here but in the old days we used to have meters which were fluorescent because of iridium or rhodium, so they had a nuclear component, a smidgen. So we had a disposal regime for about, I will have a guess here, 30,000 meters; we had an environmental activity going on and we put a whole heap of discipline around that.

In 1998-99 the organisations were still coming because no matter what we do we affect the environment, but we have now got a bigger line of discipline and each month I have an executive environment committee the same way I have an executive O, H and S committee, and the same way I have a regular executive management committee which deals with finance. That is kind of bringing in the balance of them all. So it is getting more disciplined.

CHAIR: I wish I could show the Committee this document. Integral Energy has provided three recommendations, the first being the development of the code of practice to foster the introduction and development of high standards of sustainable reporting across all government

agencies and departments, and in the body of your submission you again address that, saying there are a lot of statutory and other requirements as far as financial reporting and annual reporting, but everyone is pretty much left to their own devices as far as sustainability reporting is concerned and maybe some central government agency direction would be of use.

My question then is, just to probably expand on that recommendation, would you expect a whole-of-government approach where all government departments and agencies report in a similar way or should they all have an aspect where they report on similar things but some variation is allowed depending on the type of business and, I suppose, to allow some flexibility or initiative of the particular agency to look at different things to report on?

Mr POWIS: I think you do need to take a whole-of-government approach. The reason for that is, it does require a degree of discipline. It then enables benchmarking to occur. What tends to happen is each organisation in a different point in time will stretch the bounds, so that learning can then be transferred to others. I tend to think that sort of, I will not say competitive nature, but it is actually good within government. The Government already does that in terms of an annual report; they basically say, "This is what has got to be included in the annual report". So we get a list, like overseas travel, like consultants, like a whole range of things, and this would just fall into that and you would simply add to it.

As I said, this is not an area of competition, but by reporting it does foster an element of competition, and this area does need developing. We had Robin Williams, the science journalist, out today to give a talk to our senior managers. The aim of that is we are trying to foster a debate in the organisation on greenhouse gases and what the impact is because within society we are not seeing a huge uptake on renewable energy and enough uptake on a whole range of issues in that space. The proposition in our organisation is that unless we as an organisation have a focus in this area—and that is why we got Robin Williams to get a few other people along to talk—unless we get our heads around it and are quite focused on it, how is society, who looks to us as leaders in this area, going to help the whole debate? So there is a whole range of issues. It is kind of incremental stuff and it would be nice to know we know the answers now, but we are just working through it.

CHAIR: Mr McLeay brought up the issue of verification, and we understand that you have your report independently verified annually. Who do you choose to do that and how important is this verification process?

Mr POWIS: When you are a manager and you have got a whole range of things happening underneath you—I have internal audit and external audit to go through the financials—I have people that do the review in terms of a whole range of environmental things, a whole range of practices, et cetera, and the exuberance to show that your particular section in an organisation is good should never be underestimated. So I have checks and balances in my organisation which are just a normal part of management. The staff actually understand that it is part of the robust check; it is part of life.

Mr PAUL McLEAY: So who do you use?

Mr POWIS: We have used a variety of people. We used—

Mr PAUL McLEAY: URS?

Mr POWIS: Yes.

Mr PAUL McLEAY: Do you know why you selected URS?

Mr POWIS: It had a bit of history there, but I will not say specifically. It would go through my supply process because we do have a rigorous supply process. We have used them quite extensively.

Ms GLADYS BEREJIKLIAN: Out of interest, I think it is interesting that your social performance is very inward-looking in terms of an organisation and you do not really make any comment about what you perceive your organisation's external social commitments of performance to

be. Is there a reason for that? When I look at triple bottom-line reporting in other organisations they tend to have an external social focus.

Mr POWIS: We came across that in our own logic; we had a stakeholder management survey where we said, "What do the stakeholders think?" They came back the end of last year and said exactly what you said. They then said, "Unless it is led from the top"—for example me—"about customers". So we now have at our executive meeting each Monday a safety report, which is basically any incidents or accidents that happened the previous week, but we then have half an hour to an hour set aside to discuss customer issues for that reason, because we actually found that the organisation, whilst it was dealing with reliability, it was dealing from a technical point of view. What we needed to do was say, "What is the customer's experience of this whole gameplan?" And you are right, we are changing; we are not perfect, but we have started. I will leave it at that.

Mr PAUL McLEAY: I still cannot understand how you can have a customer satisfaction target of only 60 per cent and a result of only 56 per cent. I would have thought customer satisfaction came when, if you are an energy supplier, you tend to switch on and electricity works. I do not know how it is not 99 per cent. That is obviously a debate for another day.

Mr POWIS: There are two things: the flick on the switch—99 per cent of our customers have electricity at the time, so that is that issue. The customer satisfaction that is being measured there is really the interface with the call centre and how we deal with people through the call centre and how we deal with their account inquiries, their moves in and out, how we deal with their payment plans, how we deal with a whole heap of vouchers, a whole range of social issues, but it is really through the call centre. So it is not about their experience with the depots, it is not about their experience with vegetation management, but it is really one through the call centre. We have again revised that one, not because we thought the figure was so low, we said that whilst the call centre is one point of contact we do have other points of contact, and we have started to enlarge that. So it is going through the evolutionary process. By the way, it has improved, but we have changed the measure by which means it has improved. We are taking a more holistic approach.

CHAIR: Following on from Ms Berejiklian—and I do not necessarily agree with where she was going with her question—however, it raises an interesting aspect in that you went through the GRI checklist to look at these things. Were there other areas of external social factors that you crossed off and said were irrelevant, or were they just not in the GRI checklist in the first place? I am not even sure what sort of social factors Ms Berejiklian is referring to.

Ms GLADYS BEREJIKLIAN: I am happy to elaborate on what I meant, but I think my question was understood by the CEO.

Mr POWIS: You take it each year. We revise it each year and we go through it each year, and sometimes we delete change. It is a constant review. So there are deletions as you move through. It is not perfect but we just use that as the checklist and work through it.

Mr PAUL McLEAY: Your report, on page 1, talks openly about successes and disappointments, but do you see that it has only ticks.

Mr POWIS: A member of the public died when a steel pole lifted and came into contact with—

Mr PAUL McLEAY: The only cross you gave yourself was in saying it was beyond your control. Obviously, they are only small ticks; they are not the double ticks, like there are in other sections.

Mr POWIS: If someone dies—and we have had a recent accident somewhere else—whilst we say we are not directly at fault for the accident, our responsibility is to actually—and that is why we have an advertising campaign in terms of safety. I cannot be precise but I will say we spend about \$400,000 on electrical safety information campaigns, mainly on the radio and through the press. The lesson that came out of that one, and the lesson that is coming out of the next one—which, again, is not directly related to us, but because it involves electricity we have a responsibility as an organisation, we believe, to tell people that electricity is dangerous; it can kill. Unfortunately, people

also use it as a suicide method. Our people have to go to any accident of an electrical nature, which causes a death, that occurs our franchise area. We then have to provide counselling. So there is a whole range of issues. Some are accidents; some are suicides and we have to deal with them. Our view is that, whilst we did not do it directly, we are responsible for electricity management in our area and we have to ensure that people do know that it is dangerous. That is why we have campaigns.

Mr PAUL McLEAY: I guess my point was not about that.

Mr POWIS: We are potentially being too positive and not—

Mr PAUL McLEAY: How critical do you need to be? Does having sustainability reporting force you to be more critical or does it give you the opportunity to highlight where you are going well? Or both?

Mr POWIS: I think it is both. You use it to say that this is an area where we have to spend money, time and focus; this is an area where we should—because you can actually get things over the line and then everyone feels happy. Yes. It is a learning process, that is what it is.

Mr PAUL McLEAY: Do you have targets? You have some in the summary here.

Mr POWIS: Yes, we have some targets.

Mr PAUL McLEAY: Do you find that that is critical? I think some people who are being critical do not have targets.

Mr POWIS: It comes back to that management philosophy. Unless you have some form of accountability, some measure and some success, you will not, I think, drive—you see, I have 2,200 people in the organisation. They all respond to different measures, different pressures, et cetera. By having a target, it is an unusual method, but it just focuses of the mind. It just says, "We are trying to get to a level that is acceptable." It is like safety. We have a target of zero. Unfortunately, we never get there, but unless you have a strive or stretch target, people will potentially not try.

CHAIR: Do you use this reporting very often as part of your management style?

Mr POWIS: Oh, yes.

CHAIR: And as a driver for your organisation?

Mr POWIS: Yes, because if accidents occur in your network, no matter how small, they can all be potentially very large. I do not want to trivialise it but a dog died when it came into contact with electricity. I said to our people, "Treat it as though it were a child." Unless you take that approach, you will not achieve a systemic approach to the issue is. Electricity is a very dangerous business, if I could characterise it; it is not for the fainthearted.

CHAIR: You spoke of the injuries in the workplace is having been significantly reduced over time, I think from 15 down to seven, and then you set the target at six. This sort of reporting, and therefore setting those targets, did that change the culture of work practices in the organisation? I suppose my question is: by setting these targets, not only in relation to that but also in relation to other issues, it changes the culture. It changes the way in which people do things.

Mr POWIS: The target does not change the culture. This is a quite complex argument. The problem with safety and with targets is that people think you are chasing targets. You have to be very careful that you are trying to get a cultural change, but you are using targets as, how shall I put it, a means of getting people to focus the minds. If I take this year, they have come down. People have said, "There is a rumour going around the organisation that you are chasing targets." I said, "If that is the rumour, we have to kill that rumour, because that is not the reason."

CHAIR: Let me change the example, because that is probably complicated. What about sheets of paper per person or kilowatt hours of electricity per employee—things that would be a good target?

Mr POWIS: Let me just take those targets. This may be a bad example but we issued an edict that we would use double-sided photocopying to reduce wastage. We have implemented that. It is a shame that it was not done in respect of this document. We have most probably fluffed it there! We did set some targets there. We try to minimise consumption of oil. We have a lot of oil in our transformers, which we try to recycle it. It is a method by which we can get people to focus their minds. We cannot be seen to be wasteful, because when you run a business you can make more money by preventing waste than by trying to create profit—as a business philosophy.

Mr PAUL McLEAY: Without judging them, nearly all of your targets have a financial impact. They are things in relation to which you can punish by charging more. You can save money by keeping your workplace injuries down as a financial incentive. Looking at sustainability reporting, is there a way of forcing compliance, in economic terms? That is, all the things you are chasing, saving dollars, as opposed to the social aspects, which you are not going to get a financial benefit from.

Mr POWIS: We do not chase dollars. You can justify your campaigns on safety by reducing costs, but we do not chase the dollars. It comes after the fact. The dollars follow afterwards. It is the same with the social aspect. If we can get people trained so that we do not have accidents or incidents in the network, in relation to poles, trees, et cetera, it is a saving because we do not have to send people out. The impact of our activities will save dollars, but we do not set out to save the dollars, if you know what I mean.

Mr PAUL McLEAY: My point is that you are the only energy retailer conducting sustainability reporting, is that right?

Mr POWIS: Yes.

Mr PAUL McLEAY: Are others are doing it without reporting it, because it makes good business sense to do it anyway?

Mr POWIS: I think AGL has a sustainability report. I will take that question on a device. I have seen a report that I think is a sustainability report. But AGL is not a government agency. You would have to look at that one. The organisation that is Integral Energy is a trying to be a balanced organisation. It was kind of there before I got there, so I did not really change much. I have simply built on it. It is a community-based organisation, because it is in the community. The people came from the community, so they accept that side of it. I think there is a general flavour in our organisation that the environmental impacts of energy use is being felt and we have to deal with that issue. That is going on and we have just built on it.

If the others have done it because it is economic—you would have to ask them. CEOs are different.

Ms GLADYS BEREJIKLIAN: Following on from my previous question, and just to clarify your position: your mantra of providing safe and reliable electricity, do you see that as a social, environmental or economic outcome, in the way that you would convey that, in terms of your performance and sustainability reporting? I see sustainability reporting as more than just an internal document, one that your stakeholders and customers utilise. In terms of, say, for example, safe and efficient electricity supply, where would you put that?

Mr POWIS: Social.

Ms GLADYS BEREJIKLIAN: That is my point. It is not there are now and it is something you are obviously looking at. Another example would be providing information to customers about safety. That again would be a social item?

Mr POWIS: That is right, yes.

Ms GLADYS BEREJIKLIAN: The point I raised before is critical because that is the whole purpose, I think, of sustainability reporting, so far as public interest is concerned, especially in relation to social performance.

Mr POWIS: Yes, that is right.

Ms GLADYS BEREJIKLIAN: Thank you for clarifying that.

Mr PAUL McLEAY: The converse is that if someone dies it could cost you hundreds of thousands of dollars in down time and staffing?

Mr POWIS: That is the impact, but we do not look at it in that way. I am an economist by training so I can deal with the PNL. To me that is a piece of cake; that is a social responsibility. As I say to my staff, and this is the line we take, "I want you to come to work, do your work and go home in the same and state—hopefully, tired from working, but I do not want you to go home damaged." That is the game plan, but it is not about dollars and I do not portray it in that way. I do not try to save money on workers compensation, rehabilitation, et cetera. I do not want people to go home damaged. People are affected very emotionally by accidents or incidents that happen. It is very much a social issue.

CHAIR: That has been terrific evidence. Congratulations on this report. Your submission and recommendations will be of great assistance to the Committee.

(The witness withdrew)

(Committee adjourned at 3.10 p.m.)