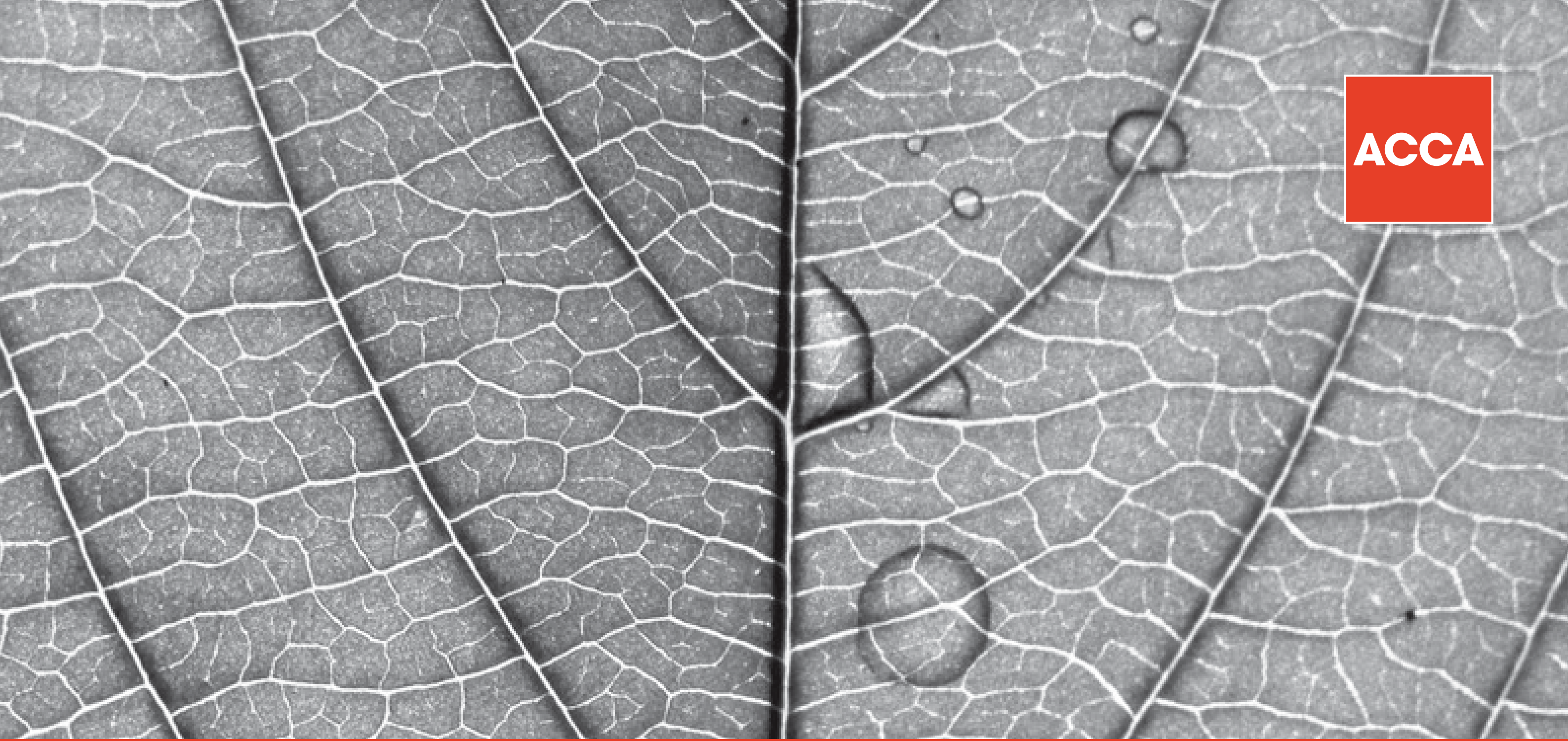
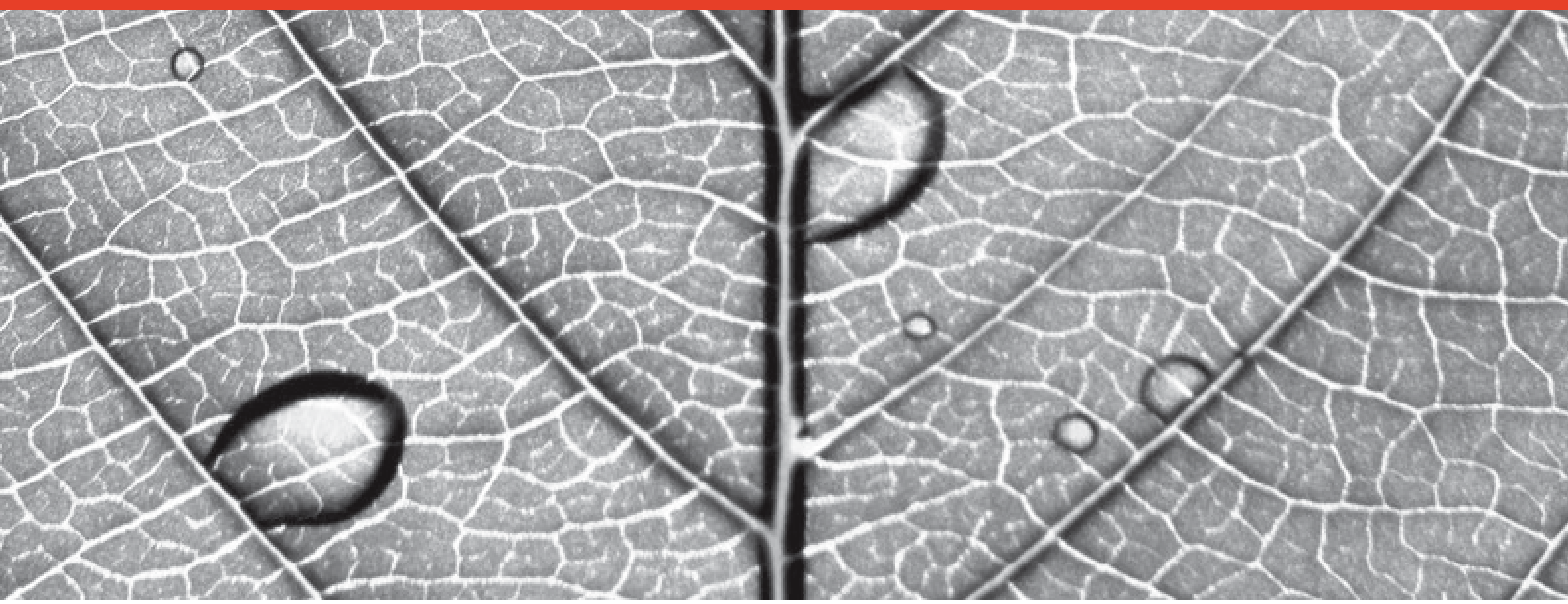


ACCA

Disclosures on supply chain sustainability



A joint report from ACCA, the Net Balance Foundation and the Sustainable Investment Research Institute

net balance foundation

SIRIS

This report is part of a series of research projects carried out by the Net Balance Foundation in collaboration with *ACCA Australia and New Zealand*.

The series analyses disclosures on areas of non-financial performance by Australian Securities Exchange (ASX) companies.

OTHER REPORTS BY THE NET BALANCE FOUNDATION AND ACCA AUSTRALIA AND NEW ZEALAND

Adoption of Integrated Reporting by the ASX 50, 2011.

Disclosures on Managing Human Rights Risks, 2011.

Disclosures on Water, 2010.

Disclosures on Social Investment, 2010.

Disclosures on Corporate Governance, 2009.

Anti-bribery and Corruption Reporting Disclosures, 2008.

Disclosures on Human Capital Management, 2008.

Disclosures on Climate Change, 2007.

Disclosures on Stakeholder Engagement, 2007.

www.accaglobal.com/sustainabilityreporting

www.netbalance.com/insights/reports

This report analyses the disclosure of aspects of supply chain sustainability by the Australian Securities Exchange top 100 companies.

Few, if any, previous studies of this nature have focussed on the sustainability of both upstream and downstream elements of ASX 100 supply chain disclosure.

The report highlights many examples of good practice in the disclosure of relevant upstream and downstream policies and procedures within the ASX 100. It also shows, however, a wide range of variability in disclosure, both between and within different industry sectors.

Contents

ACKNOWLEDGEMENTS

This report has been produced by the following team:

- Archie Beeching, Net Balance Foundation
- Kathryn Smith, Net Balance Foundation
- Mark Lyster, Net Balance Foundation
- Ben Spruzen, SIRIS
- Tom Lehner, SIRIS
- Rachel Jackson, ACCA

Executive summary

BACKGROUND

It is becoming increasingly evident that the most significant environmental and social impacts made by many companies occur beyond their internal operations, through their upstream and downstream supply chains. These impacts include the upstream environmental and social impacts of their suppliers, as well as the downstream impacts that occur through the use and disposal of their products and/or services.

Companies have an influence over their supply chain in the form of purchasing power and choice of suppliers, as well as through product and service design, marketing and engagement with customers.

This report analyses the public disclosure on aspects of supply chain sustainability by the Australian Securities Exchange top 100 companies measured by market capitalisation (ASX 100) as of 15 July 2011. Few, if any, previous studies of this nature have focused on the sustainability of both upstream and downstream elements of ASX 100 supply chain disclosure.

The study ranked the ASX 100 companies and sectors across four categories of supply chain disclosure.

- Upstream environmental disclosure – assesses each company's disclosure on environmental considerations within its upstream supply chain (ie relating to suppliers).
- Upstream social disclosure – assesses the disclosure of social considerations for the company's suppliers, such as human rights and occupational health and safety.
- Downstream environmental disclosure – relates to environmental considerations of a company's downstream supply chain for its products and services.
- Downstream social disclosure– relates to downstream social factors such as product and service responsibility.

RESULTS

The results of this study highlight that there is disclosure of relevant upstream and downstream policies and procedures within the ASX 100, with many examples of good practice represented. There is, however, a wide range of variability in disclosure, both between and within different industry sectors. The highest company average score across upstream and downstream environmental and social categories was 54%, while the top ten companies averaged 44%. Furthermore, there were 19 companies that scored zero across all measurement categories, while 51 scored 10% or less, which contributed to a relatively low overall average of 14%.

The sectors with the highest level of supply chain disclosure on average were: consumer staples; telecommunications and IT; real estate and Australian Real Estate Investment Trusts (A-REIT). The consumer staples sector has performed well as this sector includes companies such as Woolworths, Wesfarmers and Metcash, which have all performed consistently across each of the supply chain disclosure categories included in this study. Disclosure of supply chain sustainability information by the healthcare and consumer discretionary sectors has been shown to be trailing across all categories.

1. Introduction

The aim of this report is to analyse the disclosure on various aspects of supply chain sustainability by the Australian Securities Exchange top 100 companies measured by market capitalisation (ASX 100) as of 15 July 2011.The report focuses on the levels of disclosure of the ASX 100 as a whole and on the transparency and depth of those disclosures. By measuring the levels and quality of these disclosures and providing case studies of good practice, it is hoped that the report will identify and highlight both areas of best practice and areas where more work is required. Furthermore, case studies highlight industry leaders, thereby demonstrating the opportunities presented by supply chain sustainability and providing incentives for other businesses to follow suit.

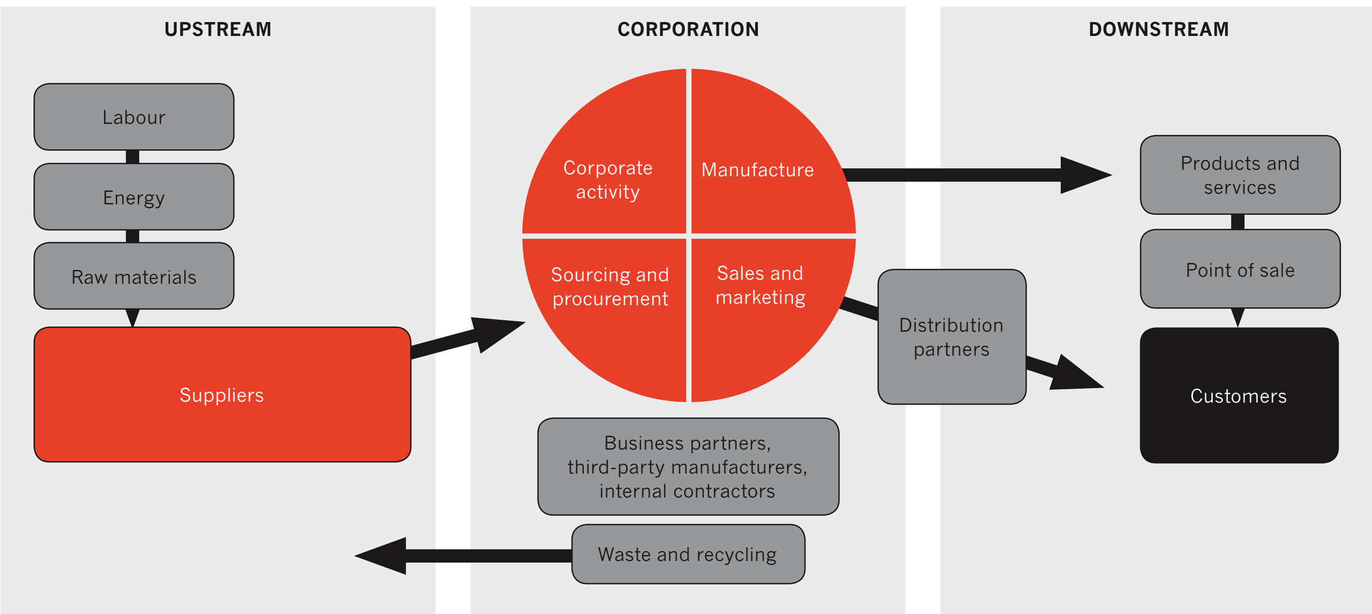
Few, if any, previous studies of this nature have focused on the sustainability of both upstream and downstream elements of ASX 100 supply chains. Similarly, the academic environment lacks a fundamental framework for measuring sustainability as it relates to supply chains in their entirety (Vachon and Klassen: 2006). This study shows that there is some disclosure of relevant upstream and downstream policies and procedures, but that there is a large range of variability in disclosure, both between and within different industry sectors.

WHAT IS A SUPPLY CHAIN?

A supply chain is a collective term for all elements included in the sourcing, production and distribution of products and services. Academics have defined supply chains as ‘the integration of key business processes from end-user through original suppliers that provide products, services, and information that add value for customers and other stakeholders’ (Lambert et al. 1998, 2006). This includes the relationships, processes, procedures and strategies used by businesses to provide their customers with their product or service. Figure 1.1 depicts the two key areas of focus for this study, namely the upstream and downstream aspects of the supply chain.

The supply chain consists of external elements, both upstream and downstream, and to some extent the internal operations of an organisation. Obvious upstream elements include supplied goods and services such as raw materials, supplier operations and labour inputs. Downstream elements include points of sale such as retail outlets, product marketing and distribution, use and end-of-life product stewardship considerations. A company’s supply chain activities will be guided by internal policies, strategies and other corporate governance mechanisms.

Figure 1.1: Diagram of a supply chain showing upstream and downstream elements



WHAT IS SUPPLY CHAIN SUSTAINABILITY?

All company operations have an impact on society and the environment in some form. This also applies to the supply chain. Companies have an influence over their supply chains in the form of purchasing power and choice of suppliers as well as through their engagement with customers during marketing and customer feedback processes. It is becoming increasingly recognised that companies should take responsibility beyond their internal operations to take into account both their direct and indirect impacts (Brammer et al. 2011). There is a clear business case for improving both this area and related corporate reporting. Given the supply chain definition, it follows that supply chain sustainability should encompass any value, policy or activity that promotes or achieves sustainable outcomes within an organisation's supply chain. More specifically it has been defined as:

> *the strategic, transparent integration and achievement of an organization's social, environmental, and economic goals in the systemic coordination of key inter-organisational business processes for improving the long-term economic performance of the individual company and its supply chains.*
> (Carter and Rogers 2008: 368)

WHY ARE DISCLOSURES ON SUPPLY CHAIN SUSTAINABILITY IMPORTANT?

The UN has noted that: 'The objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market' (United Nations Global Compact Advisory Group 2010: 5).

Internationally, Walmart has taken a leading position in working with their supply chain to improve sustainability as outlined in the following case study.

Case study: Walmart

For many years, Walmart has recognised that they need to work closely with their supply chain through their suppliers and customers to extend the scope of their sustainability commitments and improve the overall sustainability of the company. Lee Scott, former company chairman, attributed the move towards a more sustainable supply chain to a reduction of inefficiencies and thus cost rather than altruistic intentions (Plambeck 2007). In 2009 Walmart made a commitment to work towards developing a better understanding of the sustainability of products sold in Walmart stores. This commitment has resulted in three key supply chain initiatives.

As a starting point, Walmart has been actively engaging with suppliers through their supplier sustainability assessment survey. This survey was sent to over 100,000 of their suppliers in 2009 to gather information about supplier sustainability performance. The 15 questions included in the survey covered the areas of energy and climate, material efficiency, nature and resources and people and community. Resources such as webinars and FAQ documents were developed to educate suppliers about the process and encourage as many suppliers as possible to complete the surveys.

The second part of the process has involved working with a large number of suppliers, NGOS, government agencies, academic institutions and retailers through the Sustainability Consortium (Sustainability Consortium 2011) to develop a life cycle assessment database. The retail working group of the Sustainability Consortium is also working to develop methods to communicate the work of the Consortium consistently with the various supply chain partners to educate and encourage innovation.

The third, long term supply chain initiative being developed by Walmart is an effective means to communicate the sustainability of products to their customers (Walmart 2011).

Supply chain sustainability has three principal benefits. Firstly, it addresses internal business risk, secondly it adds value to the business itself and thirdly it has the potential to benefit stakeholders (both individuals and companies) related to the supply chain. Each of these is outlined below.

Managing risk

Companies have strong incentives to minimise their risk within the upstream and downstream supply chains as part of both good business practice and duty to their shareholders:

- proactive identification and reduction of risk within the supply chain can reduce a company's exposure to increased cost and time delays, as well as reputation risks and associated customer backlash (Melnyk et al. 2003)
- the earlier a risk is identified, the more effectively it can be managed
- reporting on risk reduction helps to increase brand integrity (Snir 2001).

There is also potential for the introduction of a carbon price in Australia (Australian Government 2011a) to put an increased focus on the requirements for companies to understand, manage and report on the scope three greenhouse gas emissions associated with their supply chain.

Adding value

There are cost savings related to gaining efficiencies within a business and this extends to the supply chain. Savings can be made through waste reduction, streamlining business processes and long-term planning such as:

- increasing efficiencies in resource and energy use, transportation and waste production, which will reduce overall business expenditure
- taking proactive measures to meet industry standards (such as those set by the Australian Packaging Covenant: 2010), which will lower long-term monitoring and compliance costs
- using sustainability reporting of the supply chain to strengthen the organisation's position as an industry leader in sustainability and to improve business partner relationships.

Benefits for external stakeholder groups

Increased supply chain sustainability not only helps businesses to grow, it also benefits customers and other stakeholders as follows.

- Disclosures on supply chain activity assist customers in making more informed decisions on their purchases and the environmental and social impacts of their use.
- Improving sustainability levels at all stages of the supply chain could potentially lead to improvements in the quality of products, and services
- innovations such as sustainable packaging, and design that facilitate recycling, reduce environmental and economic costs for both suppliers and customers
- engaging with supply chains can be an effective means of disseminating knowledge on sustainability and thereby creating wide-ranging sustainability improvements.

SUPPLY CHAIN SUSTAINABILITY REPORTING FRAMEWORKS AND GUIDELINES

There are a number of different reporting frameworks and guidelines that address elements of both upstream and/or downstream supply chain sustainability. The main frameworks and guidelines are indicated below and a summary of these has been included as an appendix to this document.

- Global Reporting Initiative (GRI)
- Dow Jones Sustainability Indexes (DJSI)
- Carbon Disclosure Project (CDP), Supply Chain Initiative
- BS 8903: 2010, *Principles and Framework for Procuring Sustainably – Guidance*
- Flexible Framework – UK Sustainable Procurement Taskforce
- Australian and New Zealand Government Framework for Sustainable Procurement
- Ethical Trading Initiative
- International labour standards
- Supply chain engagement tools (eg Supplier Ethical Data Exchange)
- Australian Packaging Covenant
- United Nations Global Compact
- Product certification and labelling schemes including:
  - Good Environmental Choice Australia (GECA)
  - Forest Stewardship Council (FSC)
  - Ecospecifier Green Tag Certification
  - Fair Trade Label
  - Planet Ark's Carbon Reduction Label
  - Green Building Council of Australia (AGBC) Green Star Rating Scheme
  - Australian Green Infrastructure Council (AGIC)
- Other standards and associated certifications including:
  - AA1000 AccountAbility Principles, Assurance and Stakeholder Engagement Standards
  - Social Accountability International's SA 8000:2001
  - ISO 14000, *Environmental Management Standards and Guidelines*
  - GHG Protocol Initiative Product and Scope 3 Draft Standards

2. Methodology

The scope of this study includes public disclosures of supply chain sustainability such as corporate sustainability reports and corporate website information. The data used in this report for ASX 100 companies were drawn from wider-ranging research conducted by SIRIS and based on publicly available information for the ASX 200. This data set is regularly updated by SIRIS as new data become available. The data set used in this report for the ASX 100 was extracted on 15 July 2011.

The report was compiled using a set of assessment criteria developed by SIRIS to assess how companies are currently publicly disclosing information on supply chain sustainability and the quality of these disclosures. The results of the research were aggregated into four categories, which cover environmental and social aspects of the supply chain. These categories are described in Table 2.1.

Each company was scored out of 100 on its disclosures for each category outlined in Table 2.1, giving an overall score out of 400. With each category evenly weighted, an average score out of 100 was then calculated for each company.

It is recognised that owing to the different nature of products and services sourced and produced by different types of companies, performance between different sectors may vary. To assess this, the ASX 100 list of companies has been categorised into ten sectors, which are described in Table 2.2. These sectors are based on the S&P/ASX 200 Sector Indices (Australian Securities Exchange ASX 2010), however, some small changes have been made for the purposes of this study.

It is important to note that this study is based solely on publically disclosed information. The consequences of this are that any undisclosed information, whether positive or negative, including planned or intended future activity, was not taken into account.

The list of ASX 100 companies used in this study and the business sectors in which they are included are shown in Table 2.3.

Table 2.1: Result category descriptions

Category	Description
Upstream environmental disclosure	The first category relates each company's disclosure on environmental considerations within its upstream supply chain (ie relating to suppliers). Companies scored points in this category if information was disclosed about a policy or engagement activities to improve environmental performance of a supplier's operations or if companies disclosed any information on the environmental performance of their suppliers.
Upstream social disclosure	The second category assesses the disclosure of social considerations for the company's suppliers, such as human rights and occupational health and safety. Companies scored points in this category if they disclosed information about employee rights policies for suppliers and auditing of suppliers, or disclosed requirements for their suppliers to have occupational health and safety accreditation.
Downstream environmental disclosure	The third category relates to environmental considerations of a company's downstream supply chain relating to their products and services. Companies scored points in this category if they disclosed information about policies or programs addressing environmental impacts of their products or services or packaging or had disclosed for customers information related to environmental aspects of their products.
Downstream social disclosure	The fourth category relates to downstream social factors such as product and service responsibility. Companies scored points in this category if they disclose information about policies or programs to improve the quality and safety of their products or services, or if they disclosed information on how they manage customer concerns about their products and services.

Table 2.2: Business sector descriptions

Business sector	Description
Real estate and A-REIT	Australian Real Estate Investment Trusts (A-REITs). REITs own property and derive income from rental returns. Companies such as Lend Lease, classified as Real Estate by the ASX, have also been included in this sector.
Consumer discretionary	Consumer discretionary includes manufacturing and services companies. The manufacturing segment includes automotive, household durable goods, textiles and apparel and leisure equipment. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services.
Consumer staples	The consumer staples sector comprises companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco and producers of non-durable household goods and personal products. It also includes food retailing companies as well as consumer supercentres.
Energy	The energy sector comprises companies whose businesses are dominated by exploration and development, refining and/or transportation of coal, uranium, oil and gas, and renewable energy assets. Companies involved in the construction or provision of oil rigs, drilling equipment and other energy-related services and equipment, including seismic data collection, are also included in this sector.
Financials	The financial sector is the largest industry sector by capitalisation and consists of trading and investment banks, asset managers, insurance companies, and other providers of financial services. (Real estate and REITs are included in a separate sector, see above)
Healthcare	The listed healthcare sector represents a diverse range of companies, including major Australian pharmaceutical, biotechnology, and pathology companies, and hospital operators, medical practices and medical device companies.
Industrials	The industrial sector consists of a broad range of companies involved in construction and engineering, infrastructure, transport and commercial services.
Materials	The materials sector includes producers of agricultural commodities, fertilisers, paper and forestry products, chemicals, and building materials, as well as metals and mining: a subsector that includes several of the world's largest diversified resource companies.
IT and telecommunications	The listed companies in these sectors consist of telecommunications companies, the largest being Telstra, and information technology companies, which include companies that produce software and hardware, and those that provide information technology consulting and services.
Utilities	Companies in the utilities sector are generally involved in water, electricity and gas distribution and generation and development of associated infrastructure.

Table 2.3: ASX 100 companies included in study

Company	Sector	Company	Sector
AGL Energy Limited	Utilities	James Hardie Industries	Materials
Atals Iron Ltd	Materials	Leighton Holdings Limited	Industrials
Asciano Group	Industrials	Lend Lease Corporation Limited	Real estate and A-REIT
Aristocrat Leisure Limited	Consumer discretionary	Lynas Corporation Limited	Materials
Amcor Limited	Materials	Macquarie Airports	Industrials
AMP Limited	Financials	Macarthur Coal Limited	Materials
Ansell Ltd	Healthcare	Mirvac Group	Real estate and A-REIT
ANZ Banking Group Limited	Financials	Macquarie Group Limited	Financials
APA Group	Utilities	Metcash Trading	Consumer staples
Aquarius Platinum Limited	Materials	Myer Holdings Limited	Consumer discretionary
ASX Limited	Financials	National Australia Bank Limited	Financials
Alumina Limited	Materials	Newcrest Mining Limited	Materials
Billabong International	Consumer discretionary	News Corporation Incorporated	Consumer discretionary
Bendigo Bank Limited	Financials	Origin Energy	Energy
BHP Billiton Limited	Materials	Orica Limited	Materials
Boral Limited	Materials	Oil Search Limited	Energy
Boart Longyear Limited	Industrials	ONESTEEL LIMITED	Materials
Bank of Queensland	Financials	Oz Minerals Limited	Materials
BlueScope Steel	Materials	Paladin Energy Limited	Energy
Brambles Industries Limited	Industrials	Pan Australian Resources Ltd	Materials
Commonwealth Bank Of Australia	Financials	Perpetual Limited	Financials
Coca Cola Amatil Limited	Consumer staples	Primary Health Care Limited	Healthcare
Connecteast Group	Industrials	Qantas Airways Limited	Industrials
CFS Retail Property Trust	Real estate and A-REIT	QBE Insurance Group Limited	Financials
Challenger Financial Group	Financials	QR National Ltd	Unallocated
Cochlear Limited	Healthcare	Ramsay Health Care Limited	Healthcare

Company	Sector	Company	Sector
Commonwealth Property Office Fund	Real estate and A-REIT	Rio Tinto Limited	Materials
Computershare Limited	Telecommunication and IT	Resmed Inc	Healthcare
Charter Hall Office REIT	Real estate and A-REIT	Seek Limited	Industrials
CSL Limited	Healthcare	Sims Metal Management Limited	Materials
CSR Limited	Industrials	Stockland	Real estate and A-REIT
Caltex Australia Limited	Energy	Sonic Healthcare Limited	Healthcare
Crown Limited	Consumer discretionary	Spark Infrastructure Group	Utilities
David Jones Limited	Consumer discretionary	Santos Limited	Energy
Downer EDI Group	Industrials	Suncorp Group Ltd	Financials
Duet Group	Utilities	Tabcorp Holdings Limited	Consumer discretionary
Dexus Property Group	Real estate and A-REIT	Transurban Group	Industrials
Equinox Resources Limited	Materials	Telstra Corporation Limited	Telecommunication and IT
Fosters Group Limited	Consumer staples	Toll Holdings Limited	Industrials
Fortescue Metals Group Ltd	Materials	Transfield Services Limited	Industrials
Fairfax Media Limited	Consumer discretionary	Tatts Group Limited	Consumer discretionary
Goodman Fielder Limited	Consumer staples	United Group Limited	Industrials
Goodman Group	Real estate and A-REIT	West Australian Newspapers Holdings	Consumer discretionary
GPT Group	Real estate and A-REIT	Westpac Banking Corporation	Financials
Harvey Norman Holdings Limited	Consumer discretionary	Westfield Group	Real estate and A-REIT
Insurance Australia Group	Financials	Wesfarmers Limited	Consumer staples
Iluka Resources Limited	Materials	Worleyparsons Limited	Energy
Investa Office Fund	Real estate and A-REIT	Woolworths Limited	Consumer staples
Incitec Pivot Limited	Materials	Woodside Petroleum Limited	Energy
JB Hi-Fi Limited	Consumer discretionary	Westfield Retail Trust	Real estate and A-REIT

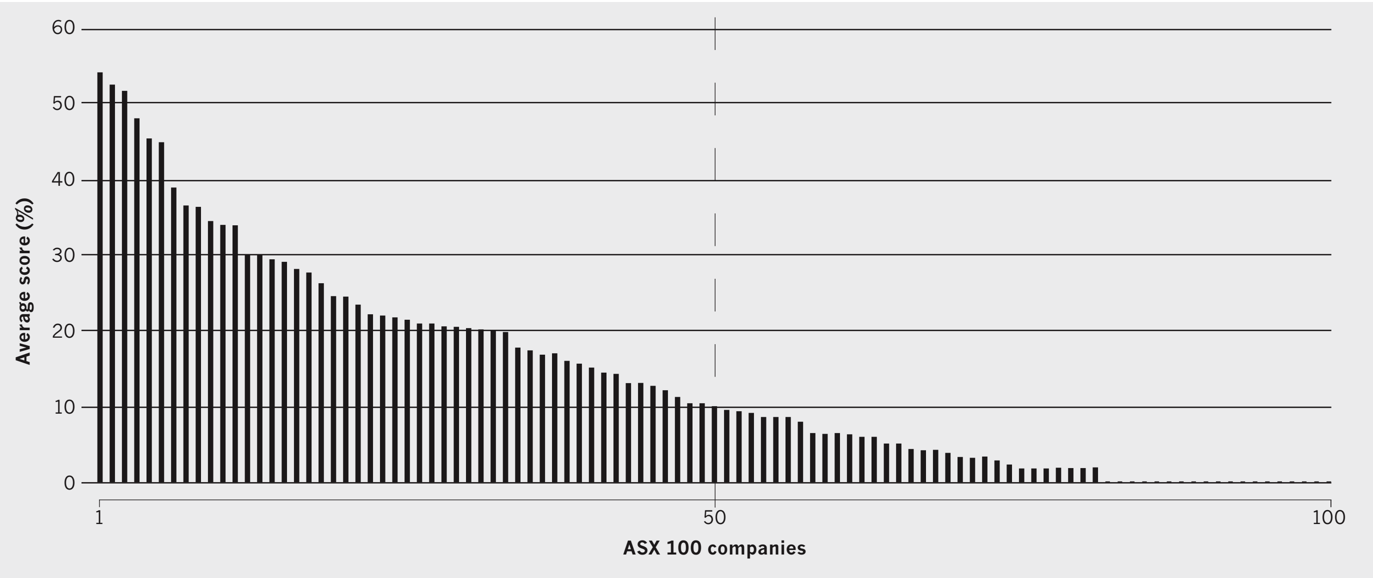
3. Results

This study shows that there is significant disclosure of relevant upstream and downstream policies and procedures in the ASX 100, with many examples of good practice represented. There is a large range of variability in disclosure both between and within different industry sectors. The highest company average score across upstream and downstream environmental and social categories was 54%, while the top ten averaged 44%. Furthermore, there were 19 companies represented in the ASX 100 that scored zero across all measurement categories. There were also 51 companies that scored 10% or less and this contributed to a low overall average of 14%.

The results show significant room for improvement in areas of supply chain sustainability reporting, given that averages for the top ten companies for previous research undertaken by Net Balance have been 66% for the corporate governance disclosures report (ACCA 2009), 63% for disclosures on stakeholder engagement (ACCA 2007) and 46% for disclosures on water (ACCA 2010) This may be because of the relatively recent recognition of supply chain sustainability disclosures as an important element of corporate reporting. It may also be, in part, due to the lack of specific guidance or requirements for such reporting within some reporting frameworks.

The chart in Figure 3.1 demonstrates the spread of scoring across the ASX 100, showing that more than half the ASX 100 companies scored less than 10% on average across all categories. Only six scored 40% and above and only three scored more than 50%.

Figure 3.1: Average scores for ASX 100



OVERALL TOP PERFORMERS

Figure 3.2 shows the ten top-performing companies for disclosure on both environmental and social upstream and downstream supply chain sustainability in the ASX 100. The average score for this group across all criteria was 44%, with the average for the whole ASX 100 being 14%. These companies showed a good level of recognition of sustainability risks and opportunities throughout their supply chains and across both social and environmental categories.

OVERALL SECTOR ANALYSIS

The average performance across all sectors is shown in Figure 3.3. Sectors that performed well overall included consumer staples, and telecommunications and IT. The consumer staples sector has performed well as this sector includes companies such as Woolworths, Wesfarmers and Metcash, which have all performed consistently across each of the supply chain disclosure categories included in this study. Disclosure of supply chain sustainability information by the healthcare and consumer discretionary sectors has been shown to be trailing across all categories.

Figure 3.2: Top-performing companies based on average score

	Score %
ANZ	54.2
Woolworths Ltd	52.6
Fosters Group Ltd	51.6
GPT Group	47.9
Wesfarmers Ltd	45.3
Westpac	44.8
Transurban Group	39.0
Telstra	36.5
Rio Tinto Ltd	36.4
Metcash Trading	34.4

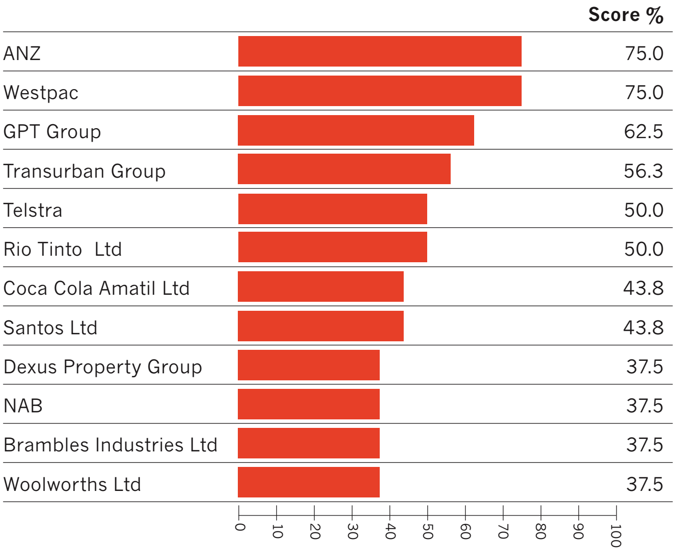
Figure 3.3: Overall sector performance based on average score

	Score %
Consumer staples	33.5
Telecommunications and IT	26.6
Real estate and A-REIT	17.2
Financials	17.2
Energy	14.1
Materials	11.8
Industrials	10.7
Utilities	9.5
Consumer discretionary	7.2
Healthcare	6.9

CATEGORY 1. UPSTREAM SUPPLY CHAIN ENVIRONMENTAL DISCLOSURE – COMPANY ANALYSIS

This category identified companies that disclosed information about environmental requirements that they expect from their suppliers. The top-performing companies shown in Figure 3.4 averaged 51% for this category. ANZ and Westpac were both top performers owing to the detailed disclosure they provide about their respective sustainable supply chain and procurement strategies. GPT Group also performed well in this category.

Figure 3.4: Top performing companies – upstream environmental disclosure



Good practice case study – GPT Group

GPT Group is committed to working in partnership with our suppliers to realise the full value of our relationships and to positively contribute to our stakeholder communities and the environment. (GPT Group 2011).

GPT Group lists suppliers as key stakeholders in relation to sustainability and in 2011, committed to undertaking further initiatives to align suppliers better with GPT's sustainability strategy.

There is a dedicated supplier page on the website, under 'Sustainability', which outlines the Group's commitment to working with suppliers. This page summarises GPT Group's approach, practical application and initiatives to ensure that suppliers' practices are aligned with the Group's sustainability objectives. A copy of the company's supplier policy is also available online.

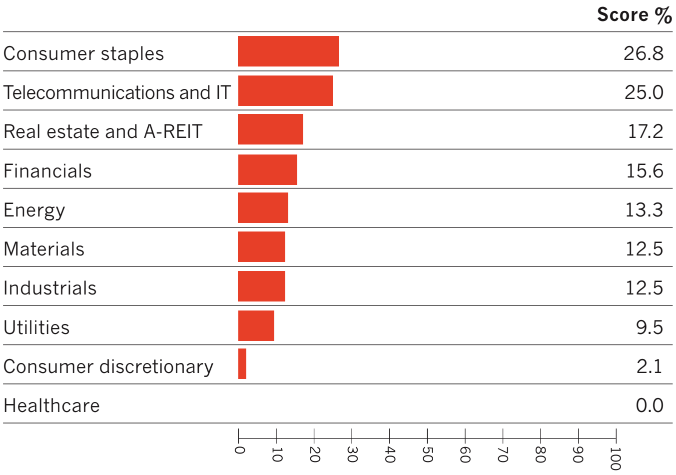
The 2010 annual report showcases an example of supplier collaboration in action. To enhance the environmental performance of one of its existing buildings, 530 Collins Street Melbourne, GPT Group introduced an 'energy performance contract' with suppliers to upgrade plant and equipment in the building to improve efficiency and to introduce a low-carbon energy supply. These actions have guaranteed the building of a five-star NABERS (National Australian Built Environment Rating System) energy efficiency rating, as well as significant energy savings and carbon reduction.

The GPT Group has also communicated the sustainability considerations of their procurement framework to their stakeholders on their company website.

CATEGORY 1. UPSTREAM SUPPLY CHAIN ENVIRONMENTAL DISCLOSURE – SECTOR ANALYSIS

Figure 3.5 summarises the performance of each sector based on information disclosed about upstream, environmental supply chain initiatives. Consumer staples, telecommunication & IT, and real estate and A-REIT sectors were the best performers for disclosure on the environmental requirements that they place on their suppliers. The healthcare and consumer discretionary sectors provided very little disclosure about the environmental requirements of their upstream suppliers, with the healthcare sector, in particular, scoring zero for this category.

Figure 3.5: Sector performance – upstream environmental disclosure



CATEGORY 2. UPSTREAM SUPPLY CHAIN SOCIAL DISCLOSURE – COMPANY ANALYSIS

The average score for this category across the ASX 100 was the lowest at just 7%. The ten top performers scored an average of 36% and Wesfarmers, ANZ and Woolworths scored highest at 50% (see Figure 3.6). This category includes disclosure of important elements such as information about the requirements that companies ask of their suppliers for employee rights policies, occupational health and safety accreditation, and auditing and therefore may highlight a key area where companies need to improve their activity and reporting.

Figure 3.6: Top performing companies – upstream social disclosure

Company	Score %
ANZ	50.0
Wesfarmers Ltd	50.0
Woolworths Ltd	50.0
Fosters Group Ltd	37.5
BHP Billiton Ltd	35.0
NAB	35.0
Billabong International	35.0
CSL Ltd	32.5
Stockland	27.5
Telstra	25.0
Commonwealth Bank	25.0
Coca Cola Amatil Ltd	25.0

Good practice case study: Woolworths Ltd

Woolworths demonstrates a sound commitment to ethical sourcing practices and responsible supplier trading relationships in its *2010 Corporate Responsibility Report* (Woolworths Ltd 2010). There is a page dedicated to ethical sourcing, which declares the company's promise to uphold human rights in its supply chain. The report refers to the Woolworths Ethical Sourcing Policy, which is available on the website and covers four key risk areas: bribery and corruption, labour rights, working conditions, and environmental compliance.

The report also details Woolworths' approach to monitoring supplier adherence with its code of practice through the conduct of compliance audits for own-brand suppliers. The report provides some performance data regarding the percentage of own-brand suppliers audited in 2010 (42%), audit results and closure of corrective actions.

> *In 2010 the most common area of non-conformance is in working hours and living wages, an issue which is broadly recognised and acknowledged and more specific throughout various areas of China where we source a significant portion of our own brands*

The Woolworths report states the company's commitment to and use of international standards and codes promoting fair and ethical trading practices including the:

- UN Global Compact
- Ethical Trading Initiative
- Produce and Grocery Industry Code of Conduct.

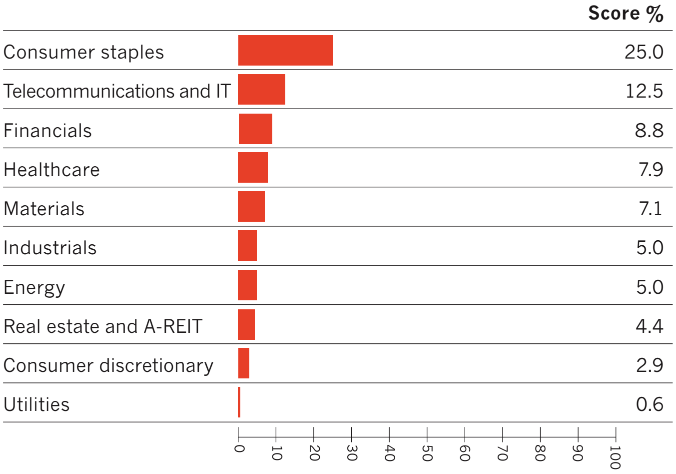
Woolworths has introduced a number of initiatives to support and encourage improved performance among suppliers. These include:

- annual shared objective plans with the largest suppliers
- annual supplier briefings on strategy and key issues
- quarterly supplier newsletters
- a vendor website with relevant documents and information
- an annual awards dinner to recognise innovation and celebrate successful partnerships.

CATEGORY 2. UPSTREAM SUPPLY CHAIN SOCIAL DISCLOSURE – SECTOR ANALYSIS

The overall sector results for this category were the lowest out of all the categories included in this study, with the utilities sector disclosing the least information. Interestingly, the real estate and A-REIT sectors, which performed relatively well for disclosure of environmental requirements of suppliers, scored only 4% on average for disclosure of social sustainability requirements of suppliers.

Figure 3.7: Sector performance – upstream social disclosure



CATEGORY 3. DOWNSTREAM SUPPLY CHAIN ENVIRONMENTAL DISCLOSURE – COMPANY ANALYSIS

Companies scored well in this category if they disclosed information about the environmental impacts of their products or services and any policies or programs in place to address them. Six companies shared the highest score in this category, at 67%. These were Computershare, Orica, Westpac, Commonwealth Property Office Fund, the GPT Group and Woolworths (Figure 3.8).

Figure 3.8: Top performing companies –-downstream environmental disclosure

	Score %
Computershare Ltd	67.0
Orica Ltd	67.0
Westpac	67.0
Commomwealth Property	67.0
GPT Group	67.0
Woolworths Ltd	67.0
Billabong International	50.0
Tatts Group Ltd	50.0
Santos Ltd	50.0
Worleyparsons Ltd	50.0
Metcash Trading	50.0
Fosters Group Ltd	50.0
Billabong International	50.0
Dexus Property Group	50.0
Incitech Pivot Ltd	50.0
NAB	50.0
Wesfarmers Ltd	50.0
Amcor Ltd	50.0

0 10 20 30 40 50 60 70 80 90 100

Good practice case study: Commonwealth Property Office Fund

The Commonwealth Property Office Fund (CPA) is an office-sector-specific Australian Real Estate Investment Trust (A-REIT). CPA reports extensively on the economic, social and environmental sustainability of its internal operations as well as on the products and services it offers to its customers. The company aims to recognise the impacts that its property assets may have on the environment and thus manage and minimise the effect of those impacts. It achieves this through:

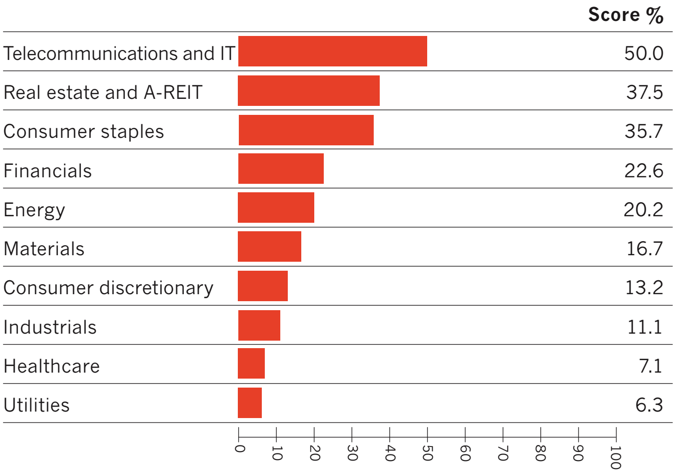
- benchmarking and setting performance targets
- improving operational performance
- reducing waste and increasing recycling
- developing or refurbishing to a higher environmental standard
- communicating and cooperating with stakeholders
- improving the overall quality of its own office buildings.

Among the benefits it discloses are those related to meeting compliance standards, creating competitive advantage and maintaining stakeholder value in the long term. Furthermore, the company demonstrates a belief in the idea that to achieve high levels of economic performance, wider sustainability principles should be embedded in all aspects of its operations (Colonial First State Global Asset Management 2010). Initiatives disclosed by CPA for managing the environmental impacts of its products and services are outlined on its company website.

CATEGORY 3. DOWNSTREAM SUPPLY CHAIN ENVIRONMENTAL DISCLOSURE – SECTOR ANALYSIS

With an average score for this category across the ASX 100 of 20%, this was the highest scoring of all the categories included in this study. The telecommunication and IT, real estate and A-REIT, and consumer staples sectors outperformed the other sectors, and utilities, healthcare, and industrials disclosed the least information. The spread of results in this category (Figure 3.9) may be attributed partly to the way that different companies and sectors consider their downstream supply chain in relation to the impacts of their products and services.

Figure 3.9: Sector performance – downstream environmental disclosure

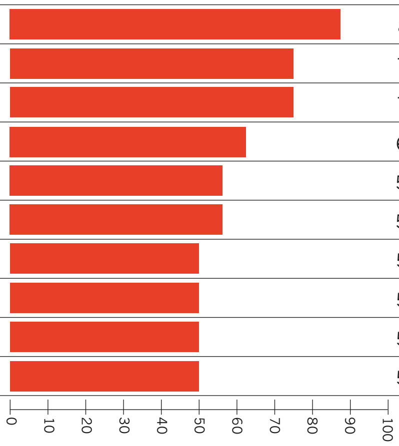


CATEGORY 4. DOWNSTREAM SUPPLY CHAIN SOCIAL DISCLOSURE – COMPANY ANALYSIS

At 88% Fosters scored highest in this category, with the average of the top-performing companies being 61%. This is largely attributed to Fosters' focus on the responsible consumption of the alcohol contained in their products. ANZ and Bendigo Bank also scored well for this category owing to their disclosure of information on responsible lending commitments (Figure 3.10).

Figure 3.10: Top performing companies –- downstream social disclosure

	Score %
Fosters Group Ltd	87.5
ANZ	75.0
Bendigo Bank Ltd	75.0
Blue Scope Steel	62.5
AMP Ltd	56.3
Woolworths Ltd	56.3
Wesfarmers Ltd	50.0
Metcash Trading	50.0
Coca Cola Amatil Ltd	50.0
GPT Group	50.0



Good practice case study: ANZ

Australia and New Zealand Banking Group Limited scored equal second in this category with 75% for downstream social supply chain sustainability. ANZ engages its customers through responsible business and customer lending practices. This includes offering financial counselling to customers facing financial hardship and assisting customers to make sustainable decisions regarding their finances. Furthermore, the group strives to provide safe and uncomplicated products, which increase financial security for its customers. One of the company's five corporate responsibility goals involves creating products and services to assist its customers in the transition towards a lower-carbon economy, including increased investment in renewable energy.

ANZ has clear policies in place to guide its involvement with potentially sensitive investments such as energy, mining and defence. It engages stakeholders such as NGOs to discuss the possible impacts of its investments. Furthermore, the group uses advice from such organisations to guide its actions with regard to its financial products (Australia and New Zealand Banking Group Limited 2010). Figure 3.11 shows information disclosed by ANZ in regards to programs developed to better inform their customers about their products and services.

Figure 3.11: ANZ Banking, Financial Capability Partners

FINANCIAL CAPABILITY

Helping to build individual prosperity in our communities is a fundamental purpose of our business. We do this by providing simple, fair and affordable products and services, sound advice and support, and clear information so our customers can make informed and effective decisions about the management of their money.

A significant investment over a number of years has helped us to create innovative programs that are improving the financial capability of people on low-incomes and from disadvantaged groups including women, Indigenous communities, people with disabilities and migrants.

Successful programs such as Saver Plus and MoneyMinded are now being adapted for new cultures and contexts so that more people in our region can benefit.

OUR FINANCIAL CAPABILITY PARTNERS

- Brotherhood of St Laurence
- The Smith Family
- The Benevolent Society
- Berry Street
- Mission Australia
- Anglicare SA
- Kildonan UnitingCare
- First Nations Foundation
- Te Rūnanga o Ngāi Tahu
- Australian Government (Department of Families, Housing, Community Services and Indigenous Affairs, FaHCSIA)

Source: Australia and New Zealand Banking Group Limited (2010).

CATEGORY 4. DOWNSTREAM SUPPLY CHAIN SOCIAL DISCLOSURE – SECTOR ANALYSIS

The high performance of companies such as Fosters, Woolworths, Metcash, Wesfarmers and Coca Cola Amatil has resulted in the consumer staples sector's out-performance of all other sectors for disclosure on the social sustainability of products and services (Figure 3.12). The average performance for all the ASX 100 was 17% for this category.

Figure 3.12: Sector performance – downstream social disclosure

	Score %
Consumer staples	46.4
Financials	21.9
Utilities	18.8
Energy	18.8
Telecommunications and IT	18.8
Materials	13.7
Industrials	13.3
Healthcare	12.5
Consumer discretionary	10.4
Real estate and A-REIT	9.9

4. Conclusions and recommendations

CONCLUSIONS

This study has looked at the supply chain sustainability disclosures by the ASX 100. The overall performance of the group has been poorer when compared to earlier studies on disclosure carried out through this reporting series. This may be an indication that the concept of supply chain sustainability is more complex and that, as a result, many companies are yet to shift their reporting focus to look beyond the traditional boundaries of their organisation in an attempt to influence the sustainability of their supply chains. Incorporating sustainability within the supply chain also requires collaboration between different functions of an organisation that may not have previously worked closely together. The level of internal stakeholder engagement required to utilise the skills of team members within sustainability, procurement and other areas to identify, implement and report on these initiatives will also vary between organisations.

Although there are a number of guidelines and frameworks available for implementing and reporting on different aspects of supply chain sustainability, many of these are sector or product specific and do not encompass both upstream and downstream elements of the supply chain. As a result, there are clear variations between the ways different sectors report on their supply chain sustainability. The data shows, for example, that retail-focused companies dealing in consumer staples are generally disclosing more information about their upstream and downstream supply chain sustainability than companies in the healthcare sector, which are really just beginning to start addressing and reporting on these issues. This was especially evident in the upstream environmental disclosure category of this study, where none of the seven ASX 100 companies within the healthcare sector were assigned any points for disclosure.

There are also large inequalities between the top performers and a number of poor scorers, suggesting a lack of standardisation in the reporting frameworks and much room for improvement at both ends of the spectrum.

As customer, investor and shareholder expectations of corporate sustainability increase, corporate sustainability reporting will need to keep abreast of new developments in this area. The increasing materiality of supply chains to overall corporate sustainability is one such development, and to date this has been either poorly recognised or dealt with in a standardised way. It seems likely that the focus on extending sustainability reporting beyond an organisation's boundaries will continue to grow in importance, especially as, for many companies, the greatest sustainability impacts are within their supply chain. As a result of this, many companies will need to dedicate greater resources both to increasing efforts to improve supply chain sustainability and then to reporting on those efforts.

GENERAL RECOMMENDATIONS

Given the extensive scope of the supply chain definition it follows that there are numerous ways in which a company can improve sustainability in its upstream and downstream operations. Upstream sustainability may include governance aspects, such as ethical procurement policies, and supplier risk assessments to enablers, such as capacity building for suppliers and monitoring and audit procedures. Downstream sustainability could start with taking extended producer responsibility strategies, such as sustainable packaging, reverse logistics or recycling schemes into consideration. These recommendations are outlined below.

Developing standard frameworks

This research has identified a need for a framework to provide guidance in linking both upstream and downstream supply chain sustainability with a company's internal corporate responsibility and sustainability policies, strategies and targets. This will help companies to begin to focus their efforts on areas beyond those that they have traditionally considered to be their direct sphere of influence.

Identifying sources of sustainability risk and opportunity within the supply chain

As companies look to developing their approach to extending their internal sustainability policies, strategies and targets to their supply chain, it is important that they conduct some level of risk and opportunity assessment. This assessment should draw on the knowledge of different areas of an organisation involved in sustainability as well as operational elements of the upstream and downstream supply chain to focus initial efforts on areas where the most significant benefits can be achieved.

Being transparent in reporting

When reporting, the intention should always be to maximise transparency in all aspects of operations involving supply chain stakeholders. This will help to minimise risk and set best practice examples within each industry.

UPSTREAM SUPPLY CHAIN RECOMMENDATIONS

Developing and implementing sustainable procurement policies, codes and strategies

The development and implementation of sustainable procurement policies, codes and strategies is a key method by which companies can communicate to their suppliers the importance of aspects of environmental and social sustainability that the company has identified as being material.

Including environmental and social criteria within tenders and pre-qualification questionnaires

These criteria should be developed to align with a company's overarching sustainability goals and objectives and as a starting point, targeted towards the procurement of higher risk products and services.

By including sustainability criteria within tenders and pre-qualification questionnaires, companies can begin to identify suppliers who share their values and will be able to deliver products and services that will help them to meet their sustainability goals.

Engaging with suppliers

Engaging with suppliers can be an effective means of disseminating knowledge on sustainability and thereby creating wide-ranging sustainability improvements. Companies should engage their suppliers to promote innovation within their own operations. Establishing a code of conduct is likely to be the first step in any supplier engagement. It is important for purchasers to encourage supplier input from the beginning and throughout this process. Furthermore, purchasers should create meaningful expectations of suppliers so that they are left in no doubt as to their customers' corporate goals. Suppliers should monitor, audit and provide feedback on whether targets are being met.

Beyond simply engaging suppliers, purchasers should seek out enablers that assist suppliers to implement sustainability initiatives. Such enablers include the clear identification of risks and opportunities for sustainability, and building the capacity of business partners through workshops, regular meetings and site visits. Purchasers may also invest in research to enhance the business case for supply chain sustainability both internally and externally.

DOWNSTREAM SUPPLY CHAIN RECOMMENDATIONS

Principle areas of governance relating to the downstream supply chain include the development and implementation of sustainability policies for product stewardship, marketing, labelling, and stakeholder engagement.

Improving product and service sustainability and product stewardship

Companies may choose to carry out life-cycle assessments of their products and services in order to improve their sustainability and encourage greater emphasis on product stewardship. With the passage of the Product Stewardship Bill 2011 in the Australian Parliament this year (Australian Government 2011b), companies will need to be prepared to adapt to any requirements that may be placed on different products under this legislation in the future. Focusing on product stewardship encourages a shared responsibility approach to product impacts and will encourage better planning and design to mitigate such impacts.

Consider developing and using sustainable marketing and labelling

Companies should provide appropriate information to their customers to assist them in making informed decisions on their purchases, investments and other uses of their products or services. Focus should be placed on making sure that any claims made are verifiable in order to reduce possible perceived ‘greenwashing’ and associated customer backlash. Research has shown for example, that customers are ready and willing to make a more sustainable product choice when they have the added certainty of a recognised and trusted environmental certification (AFGC and Net Balance 2010). Engagement and collaboration within each sector can be important in encouraging standardised approaches.

Engaging with customers and incorporating feedback

Companies should increase efforts to engage with their customers and provide opportunities to give feedback on products and services. Putting in place or improving the effectiveness of mechanisms to capture customer feedback and use it to improve products and services will lead to increased sustainability. Companies are encouraged to be transparent in disclosing how they respond to feedback from customers and other stakeholders in order to identify material issues that need to be addressed.

Appendix: Reporting frameworks and guidelines

A number of reporting frameworks and guidelines have been developed to provide guidance on disclosing information about upstream and downstream supply chain sustainability. Some of these are sector specific, while others are more wide reaching in their scope. A number of them are outlined below.

GLOBAL REPORTING INITIATIVE (GRI)

The Global Reporting Initiative (GRI) is a network-based organisation with participants representing businesses, civil society, labour and professional institutions. In 2011, the GRI launched the updated G3.1 sustainability reporting guidelines (Global Reporting Initiative 2011). The guidelines set out principles and indicators that are used by reporting companies to measure and report their economic, environment and social performance, and enable companies to:

- benchmark their performance against laws, norms, codes, performance standards and voluntary initiatives
- demonstrate commitment to sustainability, and
- compare performance over time.

The guidelines are open-source and reporting companies declare an application level (C, B or A) to indicate the extent to which the core indicators have been reported. Currently, the GRI 3.1 standard disclosures include the performance indicators shown in Table A1, which are relevant to both upstream and downstream elements of a company's supply chain.

More information available at http://*www.globalreporting.org*

Table A1: GRI supply chain indicators

UPSTREAM SUPPLY CHAIN	DOWNSTREAM SUPPLY CHAIN
ENVIRONMENTAL INDICATORS	**ENVIRONMENTAL INDICATORS**
Materials EN2 – Percentage of materials used that are recycled input materials.	**Energy** EN6 – Initiatives to provide energy-efficient or renewable-energy-based products and services, and reductions in energy requirements as a result of these initiatives.
	Products and services EN26 –Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. EN27 –Percentage of products sold and their packaging materials that are reclaimed by category.
SOCIAL INDICATORS – HUMAN RIGHTS	**SOCIAL INDICATORS – PRODUCT RESPONSIBILITY**
Investment and procurement practices HR1 –Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. HR 2 – Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	**Customer health and safety** PR1 – Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. PR2 – Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome.
Freedom of association and collective bargaining HR5 – Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	**Product and service labelling** PR3 – Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. PR4 – Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes. PR5 – Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
Child labour HR6 – Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	**Marketing communications** PR7 – Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.
Forced and compulsory labour HR7 – Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	

DOW JONES SUSTAINABILITY INDEXES (DJSI)

Launched in 1999, the Dow Jones Sustainability Indexes (DJSI) are global indexes tracking the financial performance of the leading, listed sustainability leadership companies worldwide. Company assessments are based on the Corporate Sustainability Assessment (CSA) methodology developed by SAM, a global investment boutique focused on sustainability investing. The methodology covers company performance measured against economic, environmental and social criteria. The indexes serve as benchmarks for investors who integrate sustainability considerations into their portfolios, as well as providing a framework for companies who want to adopt sustainable best practices. The framework addresses key sustainability areas, including approach, policies, management and indicators. Regarding supply chain practices, the DJSI questionnaire covers a company's environmental and labour standards for its suppliers and also addresses issues associated with downstream environmental impacts and risks of products and services, and customer feedback processes.

More information is available at http:*//www.sustainability-index.com*

CARBON DISCLOSURE PROJECT SUPPLY CHAIN INITIATIVE

The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation holding the largest database of primary corporate climate change information in the world. It acts on behalf of 551 institutional investors to gather information about greenhouse gas emissions, water management and climate change initiatives. As well as collecting information on behalf of institutional investors, CDP also collects information about greenhouse gas emissions, climate change risks and opportunities for over 50 international companies across their supply chains. This is one mechanism available to organisations for gathering information about their suppliers that they can then use to help them assess risk and opportunity with regards to climate change within their supply chain.

More information is available at *https://www.cdproject.net/en-US/Programmes/Pages/CDP-Supply-Chain.aspx*

BRITISH STANDARD 8903: 2010 PRINCIPLES AND FRAMEWORK FOR PROCURING SUSTAINABILITY

BS 8903 is a British Standard which gives recommendations and guidance on how to adopt and embed sustainable procurement principles and practices across an organisation and its respective supply chains. It provides practical information to help implementation. It also includes guidance on measurement to help organisations assess the extent and effectiveness of their sustainable procurement activity.

This standard gives detailed guidance across all stages of the procurement process and consists of three main elements:

- governance – guidance for clearly identifying what fundamental sustainability issues are important to an organisation, and understanding how to link these with sustainable procurement policies and frameworks
- process – guidance for embedding sustainability throughout all stages of the procurement process
- enablers – guidance on tools and approaches that can be used to improve implementation of sustainable procurement within an organisation.

For more information, or to purchase the standard: *http://shop.bsigroup.com/en/*

FLEXIBLE FRAMEWORK – UK SUSTAINABLE PROCUREMENT TASKFORCE

The Flexible Framework is a self-assessment mechanism widely used in the UK, which was developed by the UK government's Sustainable Procurement Task Force. It allows organisations to measure and monitor their progress on sustainable procurement over time.

The framework was designed so that it could be used by all organisations, from those with significant levels of procurement expertise and resource to those with very limited resources at their disposal. The framework was used as a reference in the development of the BS 8903.

More information is available at *http://sd.defra.gov.uk/documents/flexible-framework-guidance.pdf*

AUSTRALIAN AND NEW ZEALAND GOVERNMENT FRAMEWORK FOR SUSTAINABLE PROCUREMENT

The Australian and New Zealand Government Framework for Sustainable Procurement is a set of principles to guide Australian State, Territory and Federal governments and the New Zealand government in implementing sustainable procurement.

More information is available at *http://www.apcc.gov.au/Resources/News/SustainableProcurementFramework/tabid/63/Default.aspx*

ETHICAL TRADING INITIATIVE

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and voluntary organisations that work to improve working conditions and promote the labour rights of people in global supply chains. The ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice.

The ETI Base Code covers nine key areas, as follows.

1. Employment is freely chosen

2. Freedom of association and the right to collective bargaining are respected

3. Working conditions are safe and hygienic

4. Child labour shall not be used

5. Living wages are paid

6. Working hours are not excessive

7. No discrimination is practised

8. Regular employment is provided

9. No harsh or inhumane treatment is allowed

Member organisations are required to report on their progress against the code annually and reporting tools are available to guide this disclosure. The ETI also encourages members to disclose their performance publicly.

More information is available at http:*//www.ethicaltrade.org*

INTERNATIONAL LABOUR STANDARDS

The International Labour Organization (ILO) promotes social justice by supporting an agenda of decent working standards and fairness in the globalised economy. Formed in 1919 as part of the Treaty of Versailles, the organisation has since then maintained and developed a system of international labour standards aimed at achieving this goal. A number of corporations internationally use the ILO standards as a tool to inform the development of their codes of conduct. In particular, the standards provide organisations with a guide for governing labour conditions in production sites and supply chains, both domestically and abroad. The framework has also been used as the basis for labour standards and labour rights promoted by other organisations such as the Ethical Trading Initiative. The ILO is a tripartite UN agency working with government, employers and worker representatives to set labour standards, develop policies and devise programs.

Subjects covered by labour standards include:

- freedom of association
- collective bargaining
- forced labour
- child labour
- equality of opportunity and treatment
- tripartite consultation
- labour administration
- labour inspection
- employment policy
- employment promotion
- vocational guidance and training
- employment security
- wages
- working time
- occupational safety and health
- social security
- maternity protection
- social policy
- migrant workers
- HIV/AIDS
- seafarers
- fishers
- dock workers
- indigenous and tribal peoples
- other specific categories of workers.

More information is available at http:*//www.ilo.org*

SUPPLY CHAIN ENGAGEMENT TOOLS

A number of tools and frameworks have been developed to assist companies in engaging with their suppliers and collecting from them information about their social and environmental performance. An example of a supply chain engagement tool is the Supplier Ethical Data Exchange.

More information is available at *http://www.sedex.org.uk*

PRODUCT CERTIFICATION AND LABELLING SCHEMES

A number of product certification and labelling schemes have been developed to assist companies communicate the environmental and/or social benefits of their products and services to their customers. Many of these schemes are sector specific and are focused on materials and consumables. Examples of certification and labelling schemes being developed or used within Australia include the following.

- Good Environmental Choice Australia (GECA) has produced a range of product and service standards that aim to provide a best-practice environmental standard specifically for the Australian market. More information is available at *http://www.geca.org.au/geca-standards.html*

- Forest Stewardship Council (FSC). More information is available at *http://www.fscaustralia.org*

- Ecospecifier Green Tag Certification. More information is available at *http://www.ecospecifier.com.au*

- Fair Trade Label. More information is available at *http://www.fta.org.au/about-fairtrade/label.*

- Planet Ark's Carbon Reduction Label. More information is available at *http://carbonreductionlabel.com.au*

- Green Building Council of Australia (AGBC) Green Star Rating Scheme. More information is available at *http://www.gbca.org.au*

- Australian Green Infrastructure Council (AGIC) – Infrastructure Sustainability Rating Tool. More information is available at *http://www.agic.net.au/Tool.htm*

AUSTRALIAN PACKAGING COVENANT

The Australian Packaging Covenant is a voluntary initiative taken by the Australian government and industry to reduce the environmental effects of packaging on the environment. The covenant is designed to:

- minimise the environmental impacts arising from the disposal of used packaging

- conserve resources through better design and production processes, and

- facilitate the re-use and recycling of used packaging materials.

The Covenant establishes a framework for the effective life-cycle management of consumer packaging and paper products.

More information is available at *http://www.packagingcovenant.org.au*

UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact (UN Global Compact) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact encourages members to extend their '10 Principles for Sustainable Business Practices' beyond internal practice to supply chain partners and contractors (United Nations Global Compact Advisory Group 2010).

More information is available at *http://www.unglobalcompact.org*

GHG PROTOCOL INITIATIVE – CORPORATE VALUE CHAIN (SCOPE 3) ACCOUNTING AND REPORTING STANDARD

This standard is due to be published shortly and will provide a standardised method for measuring and managing greenhouse gas emissions, taking both upstream and downstream impacts into account.

More information is available at *http://www.ghgprotocol.org/standards/scope-3-standard*

SA 8000

Social Accountability International's SA 8000 is a global standard for managing human rights in the workplace. It is an auditable standard, that provides a framework for assuring that the human rights of workers are being taken in to consideration appropriately by an organisation's management.

More information is available at *http://www.sa-intl.org*

OTHER STANDARDS

Other standards and associated certifications to consider that provide some level of guidance for assessing sustainability impacts beyond the boundaries of an organisation include: AA 1000, ISO 14000, and ISO 26000.

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About the authors

NET BALANCE FOUNDATION

Net Balance Foundation Limited is a not-for-profit think-tank set up specifically to work with small to medium enterprises, research groups, industry groups, professional associations and other not-for-profit groups in the pursuit of sustainable business. The Foundation also undertakes research and consultancy projects on a not-for-profit basis, with the caveat that any research conducted will be made publicly available for the public good. The Foundation's view is that the fundamental purpose of business is to increase shareholder value by providing goods and services that reflect market and community needs at affordable prices that reflect actual values, incorporating environmental and social costs and benefits. The Foundation also believes that this approach will contribute to stakeholder-value creation in business, thereby reducing reputational risk and preserving the licence to operate. More importantly, externalising such costs may contribute to a loss of competitive advantage over the longer term. Net Balance Foundation draws its resources from Net Balance Management Group (www.netbalance.com), a sustainability advisory and assurance firm.

www.netbalance.org

Note: Net Balance Management Group has been engaged by members of the ASX 100, including Transurban Group, AGL Energy Limited, Fortescue Metals Group, Goodman Fielder, Wesfarmers, Dexus, Downer EDI, Santos and Woolworths to provide external assurance or verification for previous sustainability reporting.

SUSTAINABLE INVESTMENT RESEARCH INSTITUTE (SIRIS)

The Sustainable Investment Research Institute (SIRIS) is a dedicated, specialist research group providing sustainability and governance investment research and investment product services.

Although SIRIS's research focuses on the Asia-Pacific Region, with a team that includes dedicated multilingual analysts, SIRIS is also able to provide seamless global research solutions through its international research partnerships. Its research provides investors with analysis of critical aspects of operational and brand risk and emerging investment themes and opportunities.

SIRIS is a member of the UN Principles for Responsible Investment (PRI), a project that aims to help integrate consideration of environmental, social, and governance issues into investment decision-making and ownership practices, thereby improving long-term returns to beneficiaries. PRI is an initiative of UNEP Finance Initiative (UNEP Finance Initiative 2005) and the UN Global Compact.

www.siris.com.au

Note: SIRIS's clients include Perpetual and SIRIS's chairman also sits on the board of Wesfarmers.

ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, and has for many years been considered a leader in sustainability related issues, including reporting, assurance, research and corporate governance.

For over two decades ACCA has championed the business case for greater corporate accountability and transparency, and has been closely involved with GRI, A4S and IIRC since each were initiated. ACCA has focused programmes of work on carbon accounting and environmental accountability, and has worked in partnership with many organisations including FTSE4Good, WWF, CERES, AccountAbility, Transparency International and KPMG.

www.accaglobal.com/sustainability

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