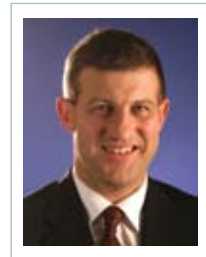


# Sustainable Development Reporting awards showcase 'improved quality'



By Peter Casey

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The need for improved quality of information for good decision-making, performance management and monitoring of organisations across the public, private and non-profit sector is greater than ever. In the increasingly complex world in which we all live, the role of non-financial information that is integrated with financial information is even more apparent. The trend is for historically intangible externalities<sup>1</sup> to be internalised into organisational decision-making. In many cases these effects are now often being monetised (e.g. in New Zealand the imminent Emission Trading Scheme (ETS)). This highlights the need for the disciplines and rigour that the accounting profession can apply to information reporting and its relevance to more than just pure historical financial information.

This growing need is evidenced by the significantly improved quality of entrants this year in the Sustainable Development Reporting (SDR) section of the Institute's Annual Report Awards. An increasing number of organisations are now seeing real relevance in expanding the scope of their reporting to provide information to a range of users. This is particularly pleasing as last year the panel noted that there had been a plateau in the year-to-year improvement process in SDR.

Also, the judges were pleased to see further evidence that organisations appreciate that SDR goes deeper and further than the production of the report. For when executed well, it's a holistic approach to delivering real improvements in an organisation's performance.

The challenge for the judges of the 2008 Annual Report Awards – SDR section was to determine how this broader range of information had been integrated into the annual reports in a manner that was of value to report

users. The annual reports are judged under three categories:

- Best Sustainability Reporting by a Crown or Local Authority Organisation
- Best Sustainability Reporting by a Service Organisation
- Best Sustainability Reporting by a Corporate.

A key purpose of such reporting is to provide a balanced and reasonable representation of the reporting organisation's sustainability issues, risks, opportunities, goals and performance, as well as financial information. This requires reporting of both

positive and negative contributions.

## What is good and why

So how did the judges tackle the task and what should a report's authors be thinking about in preparing their report? The judging panel used the same criteria used in 2007, which are based on the third edition (G3) of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. They can be found at <http://www.globalreporting.org/ReportingFramework/G3Online/>.

The judges have identified the following key questions which the report should answer.

Table 1: SDR – evaluation criteria

Criteria	Key questions
<b>Part 1. Report content</b>	
(1) Relevance & materiality	<i>Does the report focus on the things that matter most with clear prioritisation of major sustainability impacts (both adverse and beneficial) and major risks and opportunities?</i>
(2) Stakeholder responsiveness	<i>Does the report identify the organisation's stakeholders and explain how it has responded to their issues?</i>
(3) Sustainability context	<i>Does the organisation provide the reader with information to place the magnitude and nature of the organisation's sustainability impacts and performance in context at the appropriate local, regional or global scale?</i>
(4) Completeness (boundary dimension)	<i>Does the report clearly define the reporting entity?</i>
<b>Part 2. Report quality</b>	
(5) Balance	<i>Does the report provide a balanced and reasonable presentation of the organisation's performance?</i>
(6) Comparability, accuracy, timeliness and clarity	<i>Is the information in the report consistent and/or presented so as to enable analyses of changes or comparisons with other organisations? Does the report indicate what data have been measured (and how) and what have been estimated (and how)? Does the report provide stakeholders with current information? Is the report understandable and easily accessible?</i>
(7) Assurability	<i>What was the extent and scope of assurance?</i>
<b>Part 3. Overall</b>	
(8) Sustainability, commitment and credibility	<i>Is the organisation committed to improving its sustainability performance? Overall, is this a credible report?</i>

Category and winner	Commentary
Best Sustainability Reporting by a Crown or Local Authority Watercare Services Limited – Award www.watercare.co.nz	Some key observations: <ul style="list-style-type: none"> <li>• The report comprehensively deals with all real issues and in many areas with significant insight. This provides the reader with a good integrated understanding of how this organisation is both seeking and addressing the challenges of its business both within and outside, where relevant, in its wider operating environment.</li> <li>• There is good utilisation of a large amount of additional material on the web. The printed report very clearly indicates what material is available on the web.</li> </ul>
Best Sustainability Reporting by a Corporate Vodafone – Joint Award www.vodafone.co.nz	Very credible, comprehensive, pocket-sized, chock-full, stand-by-itself report. The text, though dense was very readable. Scope is very clear and the report is full of interesting and relevant information. Some key observations: <ul style="list-style-type: none"> <li>• The corporate responsibility report seems to cover the most material issues</li> <li>• Stakeholder engagement is better than in last year's report</li> <li>• Good context on some economic metrics</li> <li>• Clear reporting against targets as well as clear future targets</li> <li>• Openness about drop in employee engagement</li> <li>• Assurance scope wider than just data</li> <li>• Web references in the report but only a few about NZ-specific material.</li> </ul>
Sandford Limited – Joint Award www.sandford.co.nz	Noticeable improvement to last year. Overall an accessible and comprehensive report, well explained. Materiality decisions referred to in introduction section. Assuror confirms materiality. Some key observations: <ul style="list-style-type: none"> <li>• Scope well described in the report and on the website</li> <li>• Balanced, describes where targets not met</li> <li>• Fast facts useful</li> <li>• Assured against GRI principles and AA1000</li> <li>• Good stakeholder table</li> <li>• Some use of the web – though limited</li> <li>• Targets for 2008 mentioned.</li> </ul>
IAG NZ – Commendation www.iag.co.nz	This was a good report, with room to improve further. In contrast to last year, the report was summarised.

**The winners**

This year's panel had the pleasant challenge of having a greatly enlarged pool of reports that were in the shortlist to receive the rigorous second-phase analysis as to why they should receive an award. This year we did not make any award for "Best Sustainability Reporting by a Service Organisation" which was consistent with prior years' recognition that an award is required to meet a minimum standard. However, as flagged above, the increased number of organisations seeking to progress in a meaningful way on SDR bodes well for the future.

Readers are encouraged to review the 2007 reports of the above winners, which are accessible on the websites listed.

**Feedback to 2009 entrants**

The judging panel's continued stable membership over time has enabled ongoing comparative analysis of the absolute and relative improvements of reporting in this category. In the panel's view, there has been a marked improvement in reporting which is most encouraging. The use of the Internet to complement or replace printed reports is increasing. The use of the Internet is, however, very variable among the judged

sustainability reports. The judges thought it was most helpful to outline specifically in the formal annual report, where the Internet further enhances the usefulness of the annual report.

The Institute, as an organisation, in terms of supporting its members, is increasingly releasing information about the need for and relevance of improved SDR.

The reporting of non-financial information in a manner that aligns with the required qualitative characteristics of financial statements is a real challenge for the New Zealand accounting profession. These characteristics, in terms of the NZ Framework include:


- understandability
- relevance
- materiality
- reliability
- faithful representation
- substance over form
- neutrality
- prudence
- completeness
- comparability.

As the panel reported in 2007, we would still suggest that for organisations that wish to report information beyond the pure financial framework, the GRI guidelines

are increasingly seen as international best practice.

The Institute continues to support the improved provision of guidance material to support members. SDR provides an underlying approach and framework that can help in meeting the increasingly demanding and more sophisticated financial and non-financial information needs of:

- investors
- employees
- lenders
- suppliers and trade creditors
- customers
- government and their agencies
- the public.

The list above covers the spectrum of all accountants' direct or indirect "clients". We look forward to more award entrants in 2009 to see how the profession and its members are best serving their stakeholders' and customers' needs by a continuous improvement in producing quality annual reports. 

**Footnote**

- 1 An external effect, often unforeseen or unintended, accompanying a process or activity.

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