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TITLE: Sustainability Reporting: How far have we come?

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Over the last fifteen years, much effort has gone into the preparation of sustainability reports. These are reports that provide information on social and environmental as well as economic matters. This has been done in the name of improved decision making, accountability and transparency. It has also been motivated by a desire to promote ecologically sustainable development.

The main rationale for sustainability reporting is simply that poor decision making is at least partly attributable to the absence of information. A lopsided focus on economic and financial issues in reporting frameworks has hidden the social and environmental costs of our actions and distorted decision making processes.

Consequently, ensuring that decision makers, stakeholders and the broader community have access to timely information on the three pillars of sustainability — economic, social and environmental — should help to produce outcomes that are more sustainable and that lead to greater wellbeing.

But for all the effort, it is difficult to know exactly what has been achieved and how useful sustainability reports have been. This is worrying when you consider the amount of resources that have been dedicated to the task.

To address this issue, we undertook a review of sustainability reporting in Australia. The final report, *Which Direction: A Review of Monitoring and Reporting in Australia*, was recently published by the Australian Collaboration.

Our survey revealed that considerable progress has been made in relation to geographic reporting — that is, reporting that concerns a specific geographic area. This is mostly attributable to the commendable work of the Australian Bureau of Statistics, particularly its Measures of Australia's Progress report series. Advances have also been made in relation to separate environment and social reporting, although substantial gaps remain. State and local governments have also been reluctant to pull information together to form unified sustainability reporting frameworks.

At the organisational level, we found that an increasing number of Australian corporations are preparing sustainability reports, albeit from a very low base. There have

also been some similar developments by government agencies. Overall though, sustainability reporting by organisations is still in its infancy.

There is a major problem with the quality of the geographic and organisational reports that have been prepared. There is considerable variability in the accuracy and relevance of the information provided and a general lack of consistency in the approaches adopted. Few companies, for example, use the Global Reporting Initiative framework. Because of this, like entities cannot be compared and the usefulness of the information is often limited.

Given this variability, it is not surprising that a significant number of sustainability reports appear to be little more than a marketing exercise. Both governments and corporations are guilty of using sustainability reporting to improve their public image. When this occurs, sustainability reporting drifts from its purpose and becomes a means of avoiding responsibility rather than a framework for improving decision making and democratic processes.

To ensure that sustainability reporting achieves its original purpose, a more rigorous approach is required. Further, governments need to take a more active role in promoting and supporting sustainability reporting frameworks.

In *Which Direction: A Review of Monitoring and Reporting in Australia*, we make a number of broad recommendations for improving both geographic and organisational reporting.

These include a recommendation that the Council of Australian Governments (COAG) agree on a framework for geographic reporting at national, state and territory, regional and local levels. The framework should promote a suite-of-indicators approach to reporting that is tailored to the needs of information users and to the capacity of the relevant authorities to generate the information in a cost-effective manner.

COAG should also agree on frameworks for public and private sector reporting. To avoid duplication, both frameworks should be consistent with the Global Reporting Initiative Guidelines, which some entities are now using.

Recognising that there are considerable resource differences between agencies and corporations, we suggest that the frameworks for both public and private sector reporting should be tiered to ensure the information requirements progressively increase in accordance with the size and capacity of the relevant organisations. However, mandatory indicator-based sustainability reporting should be introduced for all publicly listed companies. These should be independently audited as is required for financial reporting.

For all forms of reporting, federal and state governments should fund an internet-based sustainability reporting clearinghouse. Such a clearinghouse would collate information across the three dimensions of sustainability at national, state, regional and local levels, provide links to appropriate sources of information and help promote greater cohesion in reporting systems.

Improved reporting frameworks will never solve the world's problems, but they can go a long way in helping people to find answers. Now is the time to ensure that sustainability

reporting realises its potential as a means of assisting Australia to find a path to sustainability.