Department of Foreign Affairs and Trade
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20 February 2014

Submission: Consultation Paper - Performance Benchmarks for Australian Aid

This submission has been compiled by the Global Reporting Initiative Focal Point Australia.

The Global Reporting Initiative is an international not-for-profit organization that has pioneered and developed the world's most widely used voluntary Sustainability Reporting Framework. GRI's vision is a sustainable global economy where organisations manage their economic, environmental, social and governance performance and impacts responsibly, and report transparently. GRI works to make sustainability reporting standard practice for all companies and organisations. Its Framework is a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance.

GRI enjoys strategic partnerships with the United Nations Environment Programme, the UN Global Compact, the Organisation for Economic Co-operation and Development and the International Organization for Standardization, among others.

GRI Focal Point Australia works to bring Australian organisations more actively into the broader international dialogue on sustainability disclosure and seeks to improve the uptake, usefulness and quality of sustainability reporting in Australia. It also provides guidance and support to local organisations, driving GRI's mission to make sustainability reporting standard practice.

Thank you for the opportunity to provide a submission to the Department of Foreign Affairs and Trade's Consultation Paper on Performance Benchmarks for Australian Aid.

Sincerely,

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Submission from the Global Reporting Initiative Focal Point Australia

The long term successful implementation of aid and development revolves around stimulating the private sector to enable the development of a sustainable economy, which understands and operates within its ecological boundaries and uplifts its communities. The Performance Benchmarks used to define and assess aid programs must ensure that the private sector grows to be accountable and transparent on issues of sustainability.

With a global paradigm shift around aid to a view that poverty can best be reduced by projects that boost economic development, it makes sense that Australia's aid program incorporates performance benchmarks that enable business contributions to development and sustainability.

In using Australian aid to advance economic development, and thereby alleviate poverty, we must be certain that the organisations in which we invest are accountable and trustworthy. They must be conscious of the environmental, social and economic impacts that they create, and seek to minimise them in both the short and long term. We must ensure that the development we are investing in grows an economy that is sustainable and reflects the values of the community and limits of the environment. We must ensure that our aid contributions result in benefits that exceed the life of the 'project'.

Done well, sustainability reporting allows a company to identify and manage their impacts on a broad set of environmental, social and economic impacts; critical factors in the transition to a sustainable economy. Sustainability reporting is increasingly recognised as an important business management tool, which provides a view of the company that is broader than that contained within financial reports alone.

Sustainability reporting is increasing valued by companies for the opportunities that it brings (in order of importance) innovation, improved stakeholder relationships, improved market position and cost savings[1]. Sustainability reporting enables a company to be aware of all of its stakeholder's values and needs, driving new product development, expansion into new markets, and new business models. For many companies, it has facilitated the identification of solutions that result in social or environmental benefits, whilst also creating financial value.

Investors and other stakeholders are increasingly seeking to complement a company's financial information with its sustainability information – on economic, social and environmental performance – so that they can properly assess risk, measure performance, allocate financial capital and identify market opportunities. Such information is increasingly perceived as important to assess a company's value for a more complete picture of the resilience and health of a company into the medium and longer term.

In the developed world, sustainability reporting is now a mainstream business practice. Of the world's largest companies, the G250, 93 per cent produce sustainability reports. Almost three quarters (71 per cent) of the 4,100 companies (that is the N100 in 41 countries) surveyed in KPMG's *Survey of Corporate Responsibility Reporting 2013* now report on their sustainability performance. Moreover, over half of reporting companies worldwide (51 per cent) now include sustainability information in their annual financial reports, an increase of 31 per cent since 2011. More than half of companies worldwide include sustainability data in their annual reports; and more than two thirds (67 per cent) of companies within every sector disclosing sustainability performance. Sustainability reporting is bringing value to business, to the economy, to the environment and to society.

The greatest increase in reporting has come from the Asia Pacific region with 71 per cent of companies now reporting. In Australia, there has been an incredible 25 per cent increase in reporting since 2011 – where 82 per cent of the top 100 companies now report on issues of sustainability.

The KPMG report identified that 78 per cent of reporting companies worldwide refer to the GRI Sustainability Reporting Guidelines in their sustainability reports and among the world's 250 largest companies the rate is even higher, with 82% of G250 companies referring to the GRI Guidelines. This makes GRI the most widely used sustainability reporting framework globally.

The Global Reporting Initiative's Sustainability Reporting Guidelines – generally recognized as the global de facto reporting standard – are a practical tool for business to identify sustainability impacts through a multi-stakeholder engagement process, enhance their management and externally demonstrate accountability and transparency towards their stakeholders. The Guidelines provide measures across economic, environmental, social, human rights, labour practices and product responsibility aspects (see Appendix A). The established practice of sustainability reporting can and should therefore be recognized as a vital tool for consciously measuring corporate performance and the impact that business can have on sustainable development issues.

[1] KPMG (2011) *International Corporate Reporting Survey* - http://www.kpmg.com/au/en/issuesandinsights/articlespublications/pages/kpmg-international-survey-corporate-responsibility-reporting-2011.aspx

The aim of the Global Reporting Initiative's Sustainability Reporting Guidelines, the G4 Guidelines, is simple: to help reporters prepare sustainability reports that matter – and to make robust and purposeful sustainability reporting standard practice. A key component of the G4 Guidelines is to harmonize with existing global reporting frameworks and benchmarking indices. In this globalized economy, it is imperative that reporting instruments can transcend national boundaries and communicate with one another. This alignment improves the comparability of reports and the efficiency of reporting practices as well as enabling the effective assurance of data. G4 has established alignment with key frameworks and indices including CDP (formerly the Carbon Disclosure Project), UN Global Compact, OECD Guidelines and ISO 26000, among others.

In 2015, the Sustainable Development Goals (SDG) are set to replace the Millennium Development Goals (MDG). Given one of the Sustainable Development Goals will focus exclusively on the role of business, GRI has formed a partnership with the UN Global Compact and the World Business Council on Sustainable Development (WBCSD) to enable, motivate and support global business to advance sustainable development through action, collaboration and co-investment. GRI's role in the partnership is to support transparency and accountability convening measurement practices, reporting standards and certification schemes.

In conclusion, it is imperative that Australia's aid program must be able to do two things:

- contribute to the development of a sustainable economy, that does not unnecessarily deplete natural resources or harm individuals and communities. It must contribute to wellbeing within those economies and communities
- invest in companies that manage their economic, environmental, social and governance performance and impacts responsibly, and report transparently on these impacts

Measuring the success of activities funded through Australia's aid program must involve a transparent and accountable approach that reflects international best practice. Sustainability reporting, using the world's most widely used and accepted standard, the GRI Sustainability Reporting Guidelines, can enable this.

While we believe that the aid program should be defined and assessed against all four Performance Benchmarks detailed in the consultation paper, GRI aligns most closely with ***Performance Benchmark III. at a partner government or implementing organisation level (to determine whether mutual obligations are being met).***

The Global Reporting Initiative encourages the Australian Government to require ***organisations*** that receive Australian aid funding to publically disclose their environmental, economic and social impacts and performance in both the project that they are funded, and across all their business activities using the GRI Sustainability Reporting Framework. DFAT may also consider adopting a minimum set of indicators which they feel all companies should address to assist in their performance evaluations, and which would reflect the objectives of the program.

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Appendix A: GRI Categories & Aspects

TABLE 5: CATEGORIES AND ASPECTS IN THE GUIDELINES

Category	Economic		Environmental	
Aspects[IV]	• Economic Performance • Market Presence • Indirect Economic Impacts • Procurement Practices		• Materials • Energy • Water • Biodiversity • Emissions • Effluents and Waste • Products and Services • Compliance • Transport • Overall • Supplier Environmental Assessment • Environmental Grievance Mechanisms	
Category	**Social**			
Sub-Categories	**Labor Practices and Decent Work**	**Human Rights**	**Society**	**Product Responsibility**
Aspects[IV]	• Employment • Labor/Management Relations • Occupational Health and Safety • Training and Education • Diversity and Equal Opportunity • Equal Remuneration for Women and Men • Supplier Assessment for Labor Practices • Labor Practices Grievance Mechanisms	• Investment • Non-discrimination • Freedom of Association and Collective Bargaining • Child Labor • Forced or Compulsory Labor • Security Practices • Indigenous Rights • Assessment • Supplier Human Rights Assessment • Human Rights Grievance Mechanisms	• Local Communities • Anti-corruption • Public Policy • Anti-competitive Behavior • Compliance • Supplier Assessment for Impacts on Society • Grievance Mechanisms for Impacts on Society	• Customer Health and Safety • Product and Service Labeling • Marketing Communications • Customer Privacy • Compliance