

OUR REPORT

Our key objectives and goals in relation to producing this report are:

- To continue reporting in a timely manner, i.e. to report on performance in the financial year 2004/05, following on from our 2002/03 and 2003/04 reports.
- To pursue goals of transparency and accountability through aiming to report in accordance with GRI's 2002 *Guidelines*;
- To utilise the reporting process and build on our existing management and governance structures;
- To celebrate achievements, both of our internal operational processes and of our success in program and service delivery;
- To experience 'hands on' the process of reporting against GRI Guidelines, so that we may apply lessons learned in the activities of the Centre for Public Agency Sustainability Reporting; and
- To include national or industry averages where available, to provide context and enable comparison across organisations.

In the reporting process we have attempted to include information that is as relevant, inclusive and as complete as possible. Where particular performance indicators have not been reported against an explanation is provided. To ensure comparability over time, we have retained all information relating to our internal impacts that have been detailed in our previous TBL Reports. However, that information is now reported under the indicators outlined by the GRI Guidelines. The 'External Impacts' information previously included at the beginning of our TBL Report is now situated at the beginning of the 'Our Performance' section for the sake of completeness and inclusiveness.

Benchmarking our performance:

ICLEI A/NZ uses the information contained in this report to examine our systems and processes and to continuously improve our performance in sustainability. Our primary objective is to address the trends in our sustainability performance, which emerge over time and the activities which impact on that performance. We recognise that it is also useful to look at our performance alongside that of similar organisations. To this end, we intend to benchmark a number of indicators in our 2004/2005 report against those of the International Institute for Sustainable Development (IISD) and the Global Reporting Initiative's own report. Both organisations produced a report in 2003/2004 referencing the GRI guidelines and are similar to ICLEI A/NZ in their nature and operations. The benchmarking information will be added to the website once data for the 2004/2005 reporting year is available from the IISD and GRI.

Report Scope

In the spirit of inclusiveness and transparency, we have engaged with several stakeholders, both internal and external, in relation to this report. While all internal stakeholders (staff members) were surveyed, it was not practical to engage with all of our external stakeholders. Therefore, we have chosen to begin discussing specific issues with a limited number of external stakeholders. This process will be gradually extended to include a wider range of stakeholders in future reports.

We have attempted to provide a fair and accurate presentation of the organisation's economic, environmental and social performance.

2.10 Contact person(s) for the report, including e-mail and web addresses
2.22 Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organisation's activities, including facility-specific information

For more information about this report or particular aspects of our activities, please contact:

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We welcome and encourage your feedback on this report. Please click [here](#) to fill out a short questionnaire. Alternatively, please contact us to arrange a telephone interview.

2.11 Reporting period (e.g. fiscal/calendar year) for information provided
2.12 Date of most recent previous report

ICLEI-A/NZ's previous report was for the financial year 2003/04. The reporting period for this report covers the 2004/05 financial year. We will continue to report on a July-June financial year cycle in order to align with our major funders and general reporting cycles throughout the local government sector.

2.13 Boundaries of report (countries/regions), products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitation on the scope

2.14 Significant changes in size, structure, ownership, or products/services that have occurred since the previous report

The reporting boundary for this report includes ICLEI-A/NZ's offices in Melbourne, Australia and Wellington, New Zealand. It also includes the incubated office of the Centre for Public Agency Sustainability Reporting in Melbourne, Australia.

Some data from ICLEI-A/NZ's Western Australia, South Australia and New Zealand offices have not been included in this year's report. This is due to difficulty in compiling this data, however attempts will be made to include this information in future reports. It should be noted that this data has a low material value and therefore would have had minimal impacts on overall trends.

We are constantly improving internal processes through which will enable us to more effectively capture relevant information for all offices and operations.

The scope of the report specifically does not include ICLEI-A/NZ's international governance bodies, which are located outside the Oceania region.

We have included an analysis of the impacts of our programs, campaigns and services (formally called the 'External Impacts Report'), located at the beginning of the performance indicator section. Since our last report there has been an increase in staff, and two additions to ICLEI-A/NZ's operations. The Centre for Public Agency

Sustainability Reporting and Sustainability Services were established, and an additional 10 staff joined the organisation.

2.15 Basis for reporting on joint ventures etc

ICLEI-A/NZ does not have any joint ventures or subsidiaries.

2.16 Explanation of the nature and effect of any re-statements of information provided in earlier reports

As stated above, this is our first report in accordance with GRI Guidelines, and while we have attempted to include all relevant categories of information from previous reports, the layout and format of this report does differ from previous reports.

Report Profile

2.17 Decisions not to apply GRI principles or protocols in the preparation of the report

The GRI Principles of transparency and inclusiveness provided overall guidance in our decision-making process about the content of our report. For inclusiveness we have decided to include material additional to the Guidelines (such as a brief discussion of our experiences in compiling this report). The principles of completeness and relevance also assisted greatly when we were debating the inclusion or exclusion of particular core indicators. As described above, a shift in internal organisational culture was required to look beyond our external performance, and to focus on our own operational performance within a sustainability context.

As with our past reports, we have attempted to provide information that is as accurate as possible. By presenting both positive and negative information, we have attempted to convey a balanced and unbiased representation on our organisation. Comparability is an important part of benchmarking and goal-setting. We have reported on all of the indicators presented in previous reports, and have included national and industry averages where possible for comparison against similar organisations. By using the GRI Guideline structure as closely as possible we have attempted to communicate a large amount of information as clearly as possible. In addition, the online navigation tool and the GRI Content Index provides readers with quick and clear access to relevant information. Producing this report against the GRI Guidelines was challenging for the organisation in a number of ways. We set ourselves an ambitious timeframe to complete the report, and some of the data required was not readily accessible. Our experiences and lessons learnt from this year will be identified and considered to assist with the preparation of next years report.

In determining the boundaries of our report we referred to the GRI Boundary Protocol 2005. We have also referred to the Health and Safety Protocol where necessary, however it is important to note that it is a pilot protocol containing limited information. ICLEI-A/NZ has not encountered child labour issues during its operations therefore the Child Labour Protocol was not used. Similarly, the majority of water indicators were not relevant to our operations, and thus the Water Protocol has not been referred to.

In terms of energy use, GRI's Energy Protocol specifies default fuel definitions and conversion factors for a range of energy types. ICLEI-A/NZ notes that in many of the Protocol's sectors this data is either unavailable for Australia, or still under development. In Table E3 – 'Default Fuel Definitions and Conversion Factors', fuel consumption is specified in gallons, however, ICLEI-A/NZ reports fuel consumption in

litres. In relation to Table 3a – ‘Electricity Conversion Equivalents’, ICLEI-A/NZ has decided to use the conversion factors and equivalents published by the Australian Government for each Australian state. In Australia, the conversion factors vary significantly due to the different methods of electricity generation that range from hydroelectricity to brown coal-fired generators. ICLEI-A/NZ has determined that using state based conversion equivalents provides more accurate results than the averaged national figure provided in the Protocol. It is noted that Table E3b – ‘Heat Conversion Equivalents’ contains no data for Australia, and Table E4 – ‘Default Transportation Factors’ and Table E5 – ‘Default Embodied Energy Values for Energy-Intensive Materials’ are under development. Where the GRI Energy Protocol does not contain Australia-specific data, ICLEI-A/NZ elected to use factors published by the Australian Government.

We also referred to the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, particularly given that our technical advisor has been a member of the working group developing this protocol.

2.18 Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits

All economic data provided has been derived from ICLEI-A/NZ’s Financial Statements and the Director’s Report for the financial year 2004/05. These reports have been independently audited by Renshaw Dawson Lang & Co. Chartered Accountants. The audit was conducted in accordance with local auditing standards. Any criteria and/or definitions used in accounting for social or environmental costs and benefits have been outlined where necessary under each indicator in ‘Our Performance’.

2.19 Significant changes from previous years in the measurement methods applied to key economic, environmental and social information

The most significant change in the way that our information is calculated and reported is that we have compiled environmental data using internationally agreed methods published by the Intergovernmental Panel on Climate Change (IPCC).

When converting energy consumption or other emissions sources to greenhouse gas units (CO₂e), ICLEI-A/NZ uses emission factors contained in the Australian Government *Factors and Methods Workbook 2004*. Where there is inconsistency between these two sources, ICLEI-A/NZ uses internationally agreed data and methods.

Primary data is sourced externally from utility company billing data for energy and water use, and internally for travel, staff employment, waste, and recycling. For minor emission sources, where actual data is not available, ICLEI-A/NZ has used default factors published by the Australian Government *Factors and Methods Workbook 2004* to provide a reasonable estimate.

ICLEI-A/NZ has adopted a revised method for calculating emissions from air travel in order to ensure consistency with our carbon credits provider. This provider also uses emission factors published by the Australian Government.

2.20 Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report

A ‘TBL Report Team’ was established, and included senior management, key operational staff a report coordinator. This enabled efficient collection of data and analysis, however, there was little opportunity for Executive Management to guide

the reporting process. The reporting process will be revised next year to ensure that there are opportunities for Executive Management to have more input.

The accuracy, completeness and reliability of the information in this report are ensured through our internal peer review processes. Executive Management, interested staff members and key external stakeholders provide input into the peer review process.

Policies are available in electronic form and all staff members are made aware of the policies and procedures mentioned in this report. All financial information has been verified (refer to 'Financial Accounts' in the 'About ICLEI-A/NZ' section of this report), and data (in particular data relating to environmental indicators) is tracked and stored electronically.

In addition to the verification of our two previous reports, ICLEI-A/NZ has had this report independently verified and assured. ICLEI-A/NZ believes that verification and assurance is a crucial aspect of the reporting process, and is committed to undertaking this on an ongoing basis.

Stakeholder Engagement

(2.9) List of stakeholders, key attributes, and relationship to ICLEI-A/NZ

Our key stakeholders are:

- ICLEI-A/NZ staff members;
- ICLEI-A/NZ governance bodies;
- ICLEI-A/NZ partners, collaborators and funders;
- Participant and member local governments; and
- Local Government and Public Agency bodies.

In addition to our key stakeholders there are many other organisations and individuals who may be affected by ICLEI-A/NZ's activities, such as the broader communities within which we operate, or the communities of local governments that benefit from ICLEI-A/NZ's programs and campaigns. We have chosen to limit the involvement of additional stakeholders in our reporting process, and also limit the reporting of ICLEI-A/NZ's impacts upon these stakeholders for several reasons. Firstly, such broad engagement may detract from our focus on our key stakeholders, and reporting on such indirect impacts are of little relevance in comparison to our direct economic, environmental and social impacts. Secondly, within the sustainability context that we operate, ICLEI-A/NZ's core activity is supporting local governments to operate in a more sustainable way and to report on their performance. Considering that the majority of the impacts of ICLEI-A/NZ's programs upon local government communities would be included in those reports, we have decided not to include this information in order to avoid overlap with our members' and participants' reports.

ICLEI-A/NZ staff members:

Staff members are among ICLEI-A/NZ's most important stakeholders, and play a key role in the development and outcomes of the reporting process. The ongoing input of all staff members has improved the credibility and relevance of ICLEI-A/NZ's report. There was informal discussion between staff and management teams before a decision was reached as to the format of this year's report. Staff members were involved in the reporting process from conception to completion, and this included staff participation in internal surveys, Executive Management peer review of draft versions and circulation of the report provided staff further opportunity to comment and provide feedback.

ICLEI-A/NZ governance bodies:

ICLEI-A/NZ's Executive Management Team and our international governance bodies have a clear interest in the content of this report and in the reporting process. ICLEI-A/NZ's Executive Management has had input into the layout, format and text of this report. The Executive Council, however, is geographically diverse and therefore an electronic copy of the final draft report was circulated to members of the Council, mainly to ensure that all relevant information had been included.

ICLEI-A/NZ partners and funders:

Our partner organisations include our hosts (Melbourne City Council; the City of Adelaide and the Western Australian Local Government Association), our funders (including the Australian Government Department of Environment and Heritage; the New Zealand Ministry of Environment; the State Government of Victoria; the Government of Western Australia; Victoria's water retailers and VicHealth Foundation) and our working partners (the Global Reporting Initiative, the former Victorian Sustainable Energy Association of Victoria and Project Adelaide).

Australian Partners

- City of Melbourne (Host agreement)
- Australian Greenhouse Office, Department of Environment and Heritage
- The Department of Sustainability and Environment (DSE)
- Sustainable Energy Authority of Victoria
- City of Adelaide
- State Government of Victoria
- VicHealth Foundation
- Government of Western Australia
- City West Water
- South East Water
- Yarra Valley Water

New Zealand Partners

- New Zealand Climate Change Office of the Ministry for the Environment
- Genesis
- data providers (to be confirmed by Martin)

International Partners

- The Global Reporting Initiative

Participant and Member local governments:

Delivering programs and services to our member and participant councils is the key focus of our work. The majority of councils in Australia are active participants in our Cities for Climate Protection Australia Program and the Water Campaign™, and a selection of these councils (currently 94 in Australia and New Zealand) are also paid members of ICLEI-A/NZ. Some of these councils are particularly interested in the reporting process, and several were sent copies of the final report to gain their feedback. We are encouraged by the interest shown by our participant and member councils, and hope that the extent of engagement with this stakeholder group will become broader and deeper with time.

Local Government and Public Agency bodies:

A number of local governments have been involved in ICLEI-A/NZ's broader sustainability reporting and triple bottom line programs such as: the *Sustainability Reporting Alliance*, *Sustainability Reviews*, *Training and Workshops* and the *Australia/New Zealand Reporting Alliance* coordinated by the Centre for Public Agency Sustainability Reporting. Since the Centre recently commenced operations, stakeholders involved in the Centre were not consulted for this reporting period. We have, however, sent the Global Reporting Initiative a copy of the final draft report to review and provide comment. We have also engaged councils accessing ICLEI-A/NZ's programs who have shown particular interest in sustainability reporting.

In compiling and producing this report, we referred to GRI's most recent sustainability report for direction. GRI's stakeholder engagement process was extensive and their report structure clear and user-friendly. For these reasons we have decided to replicate their report layout: 'About ICLEI-AN/Z'; 'Our Report' and 'Our Performance' to use as an initial framework. In this section ('Our Report'), we have included observations by ICLEI-A/NZ staff and our external stakeholders about the development, readability and usefulness of this report.

In addition to ongoing stakeholder engagement specific to our programs and services, ICLEI-A/NZ will solicit feedback from a variety of stakeholders and conduct an assessment of this report in 2006. Information from the [online survey](#) and any [telephone interviews](#) will be included in this assessment, which will primarily act to identify the economic, environmental and social benefits of reporting, as well as exploring the implications for other public agencies using the GRI Guidelines. It is anticipated that the assessment will be made available online as an expanded case study as soon as it is completed.

Assurance

2.21 Policy and current practice with regard to providing independent assurance for the full report.

ICLEI-A/NZ's TBL Report 2004/05, has been independently verified. We believe that this is an integral part of the credibility and accountability of the reporting process. In the past, we have had the content and data in our report independently verified. For this report, we have elected to take the next step of verification in accordance with the AA1000 Assurance Standard. Independent verification is leading practice for sustainability reporting and clearly demonstrates that ICLEI-A/NZ is committed to continuous improvement and increasing our credibility and the effectiveness of our reporting.

Pursuant to recommendations made by auditors in our 2003/04 report, we have included the performance data of our New Zealand office, developed additional stakeholder feedback mechanisms, and have included comprehensive information about ICLEI-A/NZ's governance and management structures.

Below is appended a summary verification statement:

The International Council for Local Environmental Initiatives - Australia/ New Zealand (ICLEI A/NZ) commissioned URS Australia Pty Ltd (URS) to provide independent assurance of the non-financial content of this ICLEI A/NZ Sustainability Report 2004 - 2005 (the 'report'). The report presents ICLEI A/NZ's sustainability performance over the period 1st July 2004 to 30th June 2005. ICLEI A/NZ was responsible for the preparation of the report and this statement represents the auditor's independent opinion. URS' responsibility in performing our verification activities is to the management of ICLEI A/NZ alone and in accordance with the terms of reference

agreed with them. Any reliance any third party may place on the Report is entirely at their own risk.

Verification Objective

The objective of the verification process is to provide stakeholders of ICLEI A/NZ with an independent opinion on the accuracy and credibility of the information presented within the report. This is confirmed through an audit of claims made, underlying systems, processes and competencies that support the report.

Verification Process & Limitations

Our approach to verification provision is broadly aligned with the *AA1000 Assurance Standard*. The verification engagement was undertaken in November 2005 using a risk-based process for selecting data sets and statements broadly based on the *AA1000 Assurance Standard Principles* of materiality, completeness and responsiveness. The process involved:

- a review of the report for any major anomalies;
- an examination of ICLEI A/NZ's measurement and reporting procedures, background documentation and data collection and reporting procedures;
- interviews with key personnel responsible for collating and writing various parts of the report in order to ensure selected claims were discussed and substantiated; and
- the examination of the aggregation and derivation of, and underlying evidence for over 25 selected data points and statements made in the report.

The scope of the verification process was limited to one day of verification at the ICLEI A/NZ head office in Collins Street, Melbourne. Offices in New Zealand, Perth or Adelaide were not visited. URS has also provided feedback to ICLEI A/NZ that the limit placed on one day of on-site verification is inadequate for the size of the report. Whilst a large portion of significant claims were checked by the auditors, we would normally suggest that the scope is expanded to at least one more day of on-site verification to reflect the size of the report.

Our Independence

URS was not responsible for preparation of any part of this report. URS has not undertaken any commissions for ICLEI A/NZ in the reporting period concerning reporting or data collection. However, the lead auditor has provided some advice (about one day of work) to The Centre for Public Agency Sustainability Reporting, which is housed, and partly funded by ICLEI A/NZ, which, due to its separate incorporation, is not considered a conflict. Furthermore, none of the advice provided was subject to the verification process. Independence was ensured by selecting a verification team that had no other involvement with ICLEI A/NZ during the reporting period that could impair the team's independence or objectivity. The audit team comprised of individuals with expertise in the water sector and in environmental and social performance measurement.

Our Opinion

Based on the scope of the verification process, the following represents URS' opinion:

- The findings of the verification engagement provide confidence in the reporting processes established. The Auditor's recommendation from previous audits to reduce manual aggregation and transcription processes has been taken on board, but increased reporting has meant that further improvements, as detailed below, need to be considered. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.

Overall, the auditor is satisfied that the report is a complete and accurate representation of the organisation's sustainability performance. Our opinion is based on the conclusions drawn from the verification process, details of which are provided below.

Conclusions and Recommendations

- The increased level of reporting to meet the reporting requirements of the *Global Reporting Initiative's Sustainability Reporting Guidelines 2002* means that additional time is needed for comprehensive verification of the report. Given the higher level of data inaccuracy than in prior reporting periods, which we believe is due to the increased reporting load, a more comprehensive verification program is recommended for next year.
- A System Diagnostic Audit and awareness training for reporting staff is also recommended.
- Generally report sizes are starting to shrink, perhaps because seasoned reporters are fitting in more per page, as well as due to the increased role of Internet reporting. Our recommendation for ICLEI A/NZ is to look to reduce the amount of text, so as to increase readability, without compromising the comprehensiveness of coverage. This could partly be achieved by separating the policy content of the report into a stand-alone Internet document.
- We recommend development of appropriate procedures for measurement and reporting each key performance measure, which will assist in quality control of data.
- Notwithstanding the above, URS commends ICLEI A/NZ for its reporting effort, which we believe will make the report the only GRI style non-government sector report in Australia. This shows leadership and commitment.

On behalf of the audit team
5th December 2005
Melbourne, Australia



Terence Jeyaretnam, Principal, URS

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