

The value behind CSR reporting*

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SD 07
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*connectedthinking

PRICEWATERHOUSECOOPERS 

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CSR in context

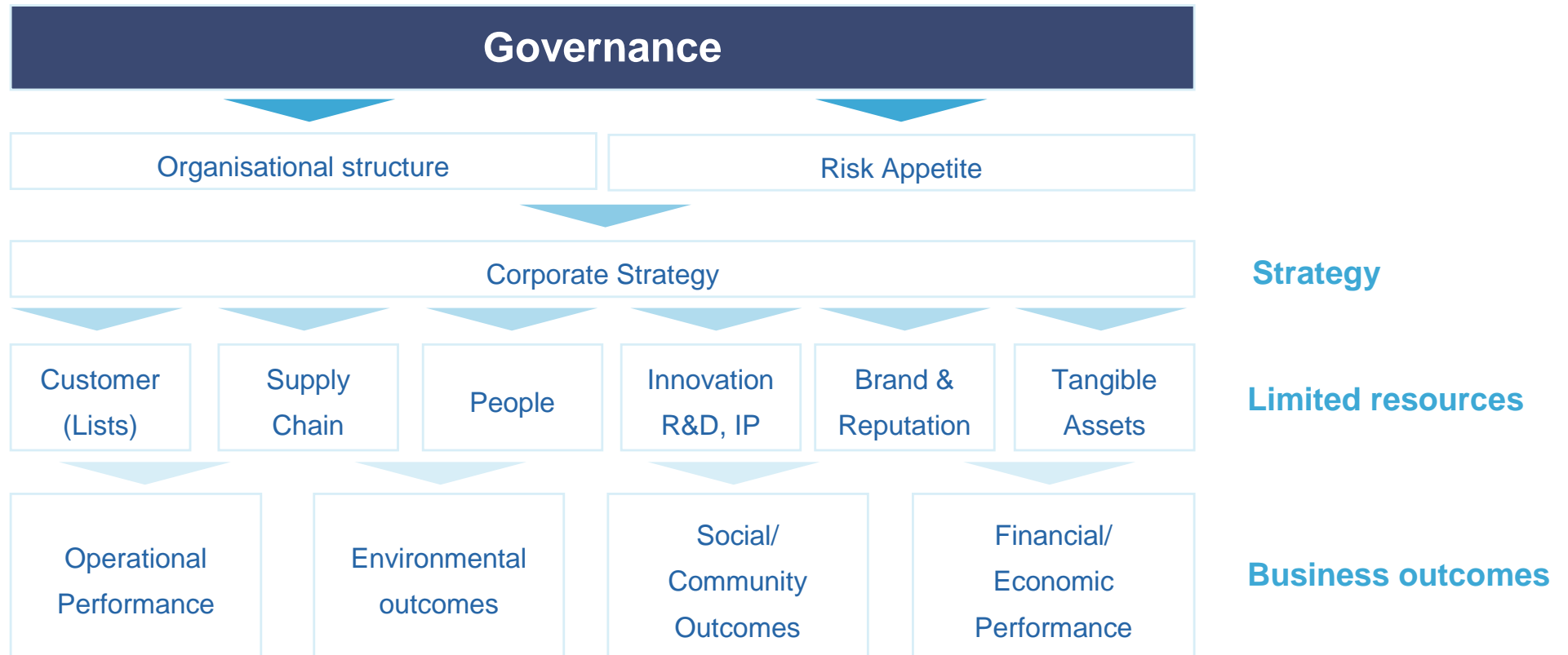
What do stakeholders value?

What information do business stakeholders value ?

Drivers of change – climate risk

So what does the future CSR look like?

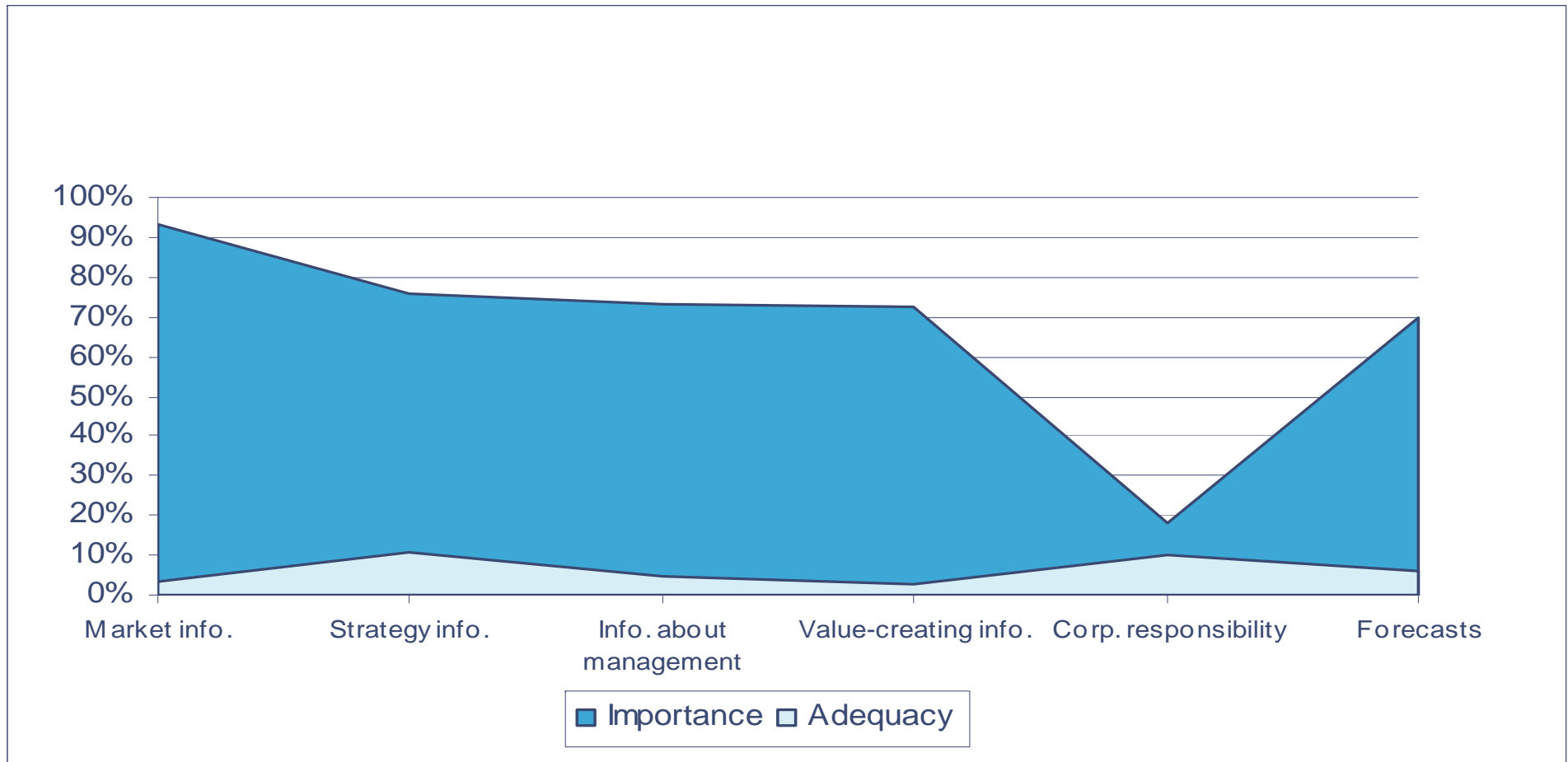
CSR in context



Over 75% of the value of the S&P500 is intangible; some 15% is tangible!

Accenture July 2004

Do capital markets value current CSR information?



Extract PwC Global Investor Survey 2006

What are the capital markets saying in Australia?

'all my information about corporate governance comes from meeting the people concerned..'

'I don't think its (corporate governance statement) being read at all'

'Environmental reporting is flavour of the month sort of stuff, no we don't use it.'

But...

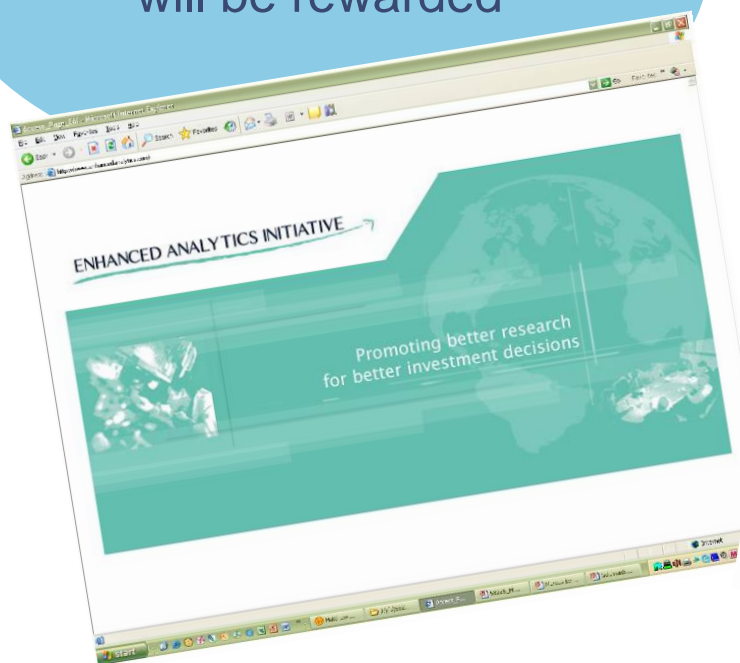
What are the capital markets saying in Australia?

But...

‘Transparency in reporting..
Clearly if someone actually
is willing to be held
accountable we have got a
little bit more faith’

‘Improved transparency
will be rewarded’

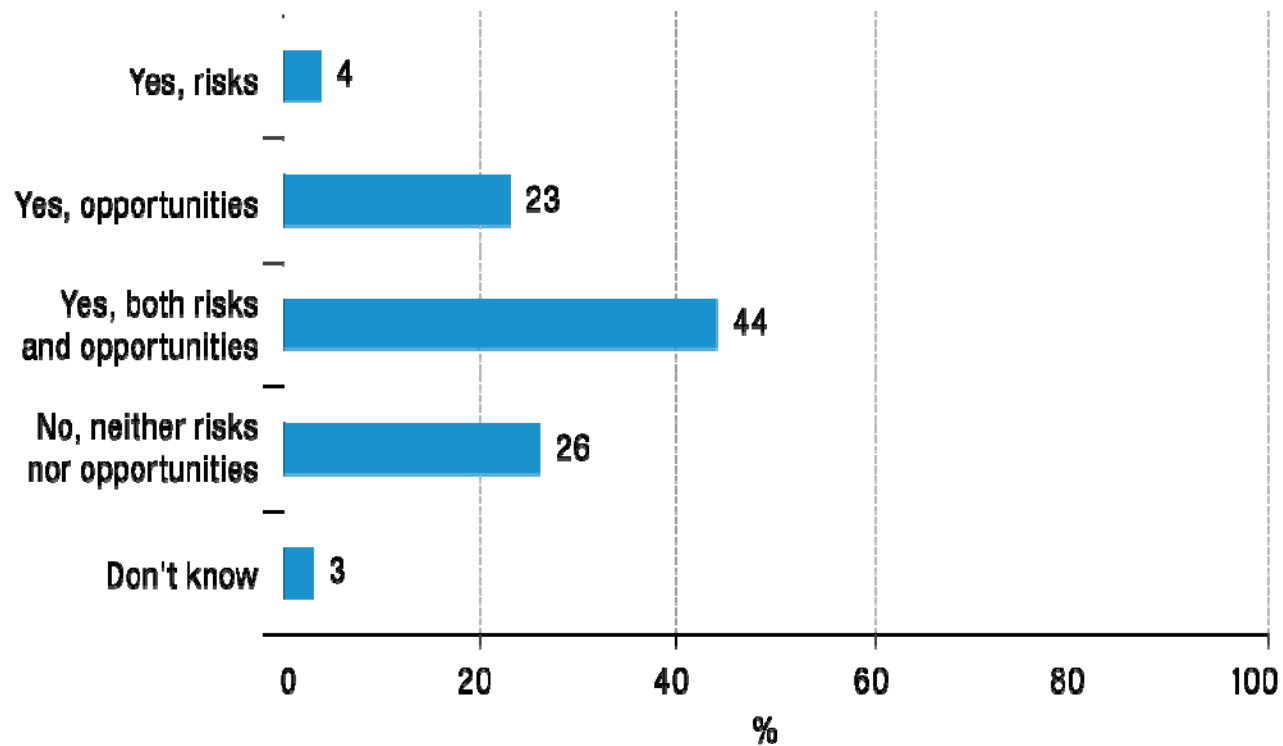
‘Companies must
recognise disclosure is
an asset...it requires
specific tailoring to
business risks’



**So a small but growing
element of the market
'value' CSR
information, but are
still working out how
to use it effectively
when doing valuations
and making
recommendations**

Climate change: business is starting to get it

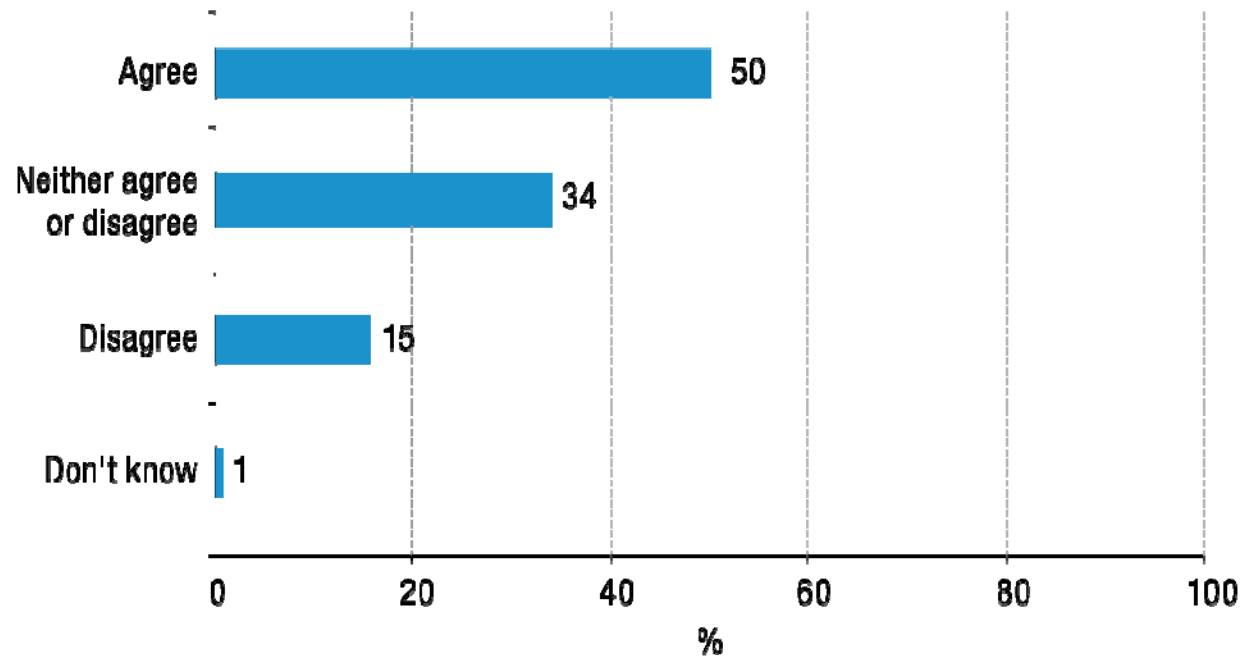
It all adds up to risks and opportunities



Will the market perception of businesses response to climate change create risks and/or opportunities for brand and reputation?

Climate change: business is starting to get it

Governments are demanding more



Does the growing volume of regulatory responses to climate change create compliance issues?

At the same time other measures are driving change

- Complementary to ASX CGC Principles and G100 Review of Operations
- s299A CA aimed at driving better reporting of sustainability and prospects.
- s299A(3) CA allows omission if 'unreasonable prejudice' to business'

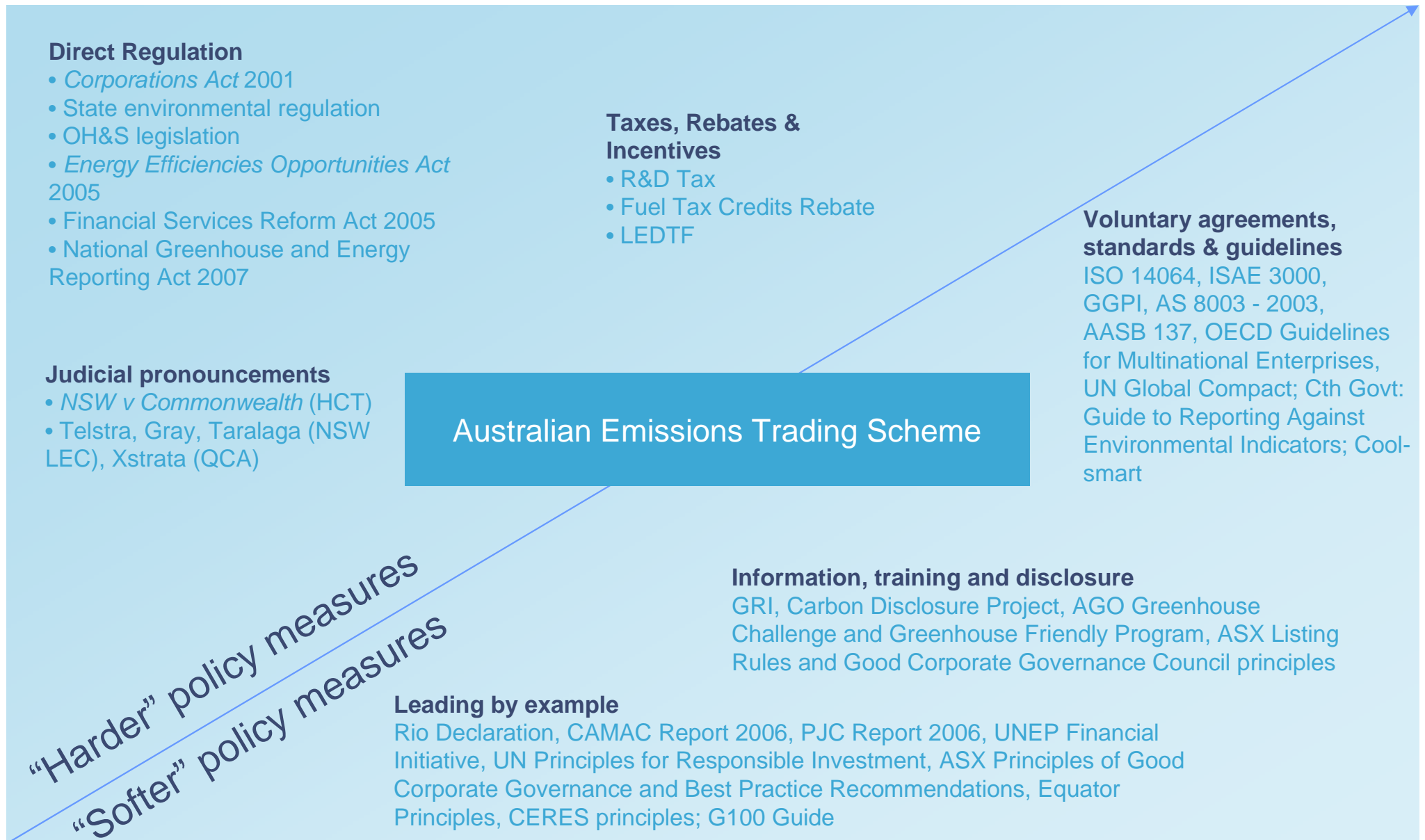


- Implemented from 2005
- To improve Comparability & Consistency of the financials

- Annual Review
- Financial and Non Financial disclosure
- Mesh with high quality Continuous Disclosure Program

- 2007 Review underway
- Considers need to report material business (non financial) risks, sustainability and corporate responsibility
- Considers findings of the PJC / CAMAC review

Climate risk – is it the potential catalyst for CSR innovation ?



Reporting developments

Energy Efficiency Opportunities Act 2006

Main purpose:

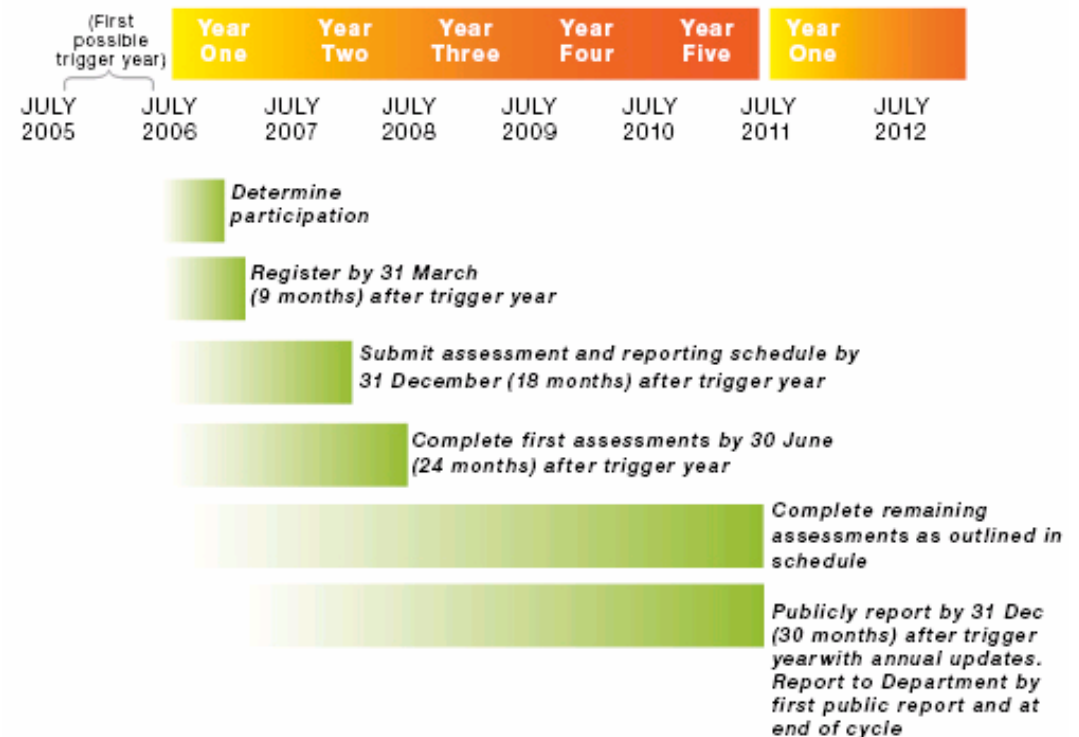
To promote the identification and evaluation of energy efficiency opportunities.

Reporting Threshold:

Corporations with energy production or consumption greater than 500 terajoules (TJ) per financial year must publicly report under this Act.

Practical Requirements:

- preparation and submission of a reporting and assessment schedule (Assessment Plan) every 5 years. The Assessment plan must set out a schedule of further assessments which will assist in identifying and implementing efficiency opportunities during the 5 years in which that plan is operational.
- Performance of Energy Efficiency Opportunity Assessments and the reporting of identified opportunities



Reporting developments

National Greenhouse and Energy Reporting Act 2007

Main purpose

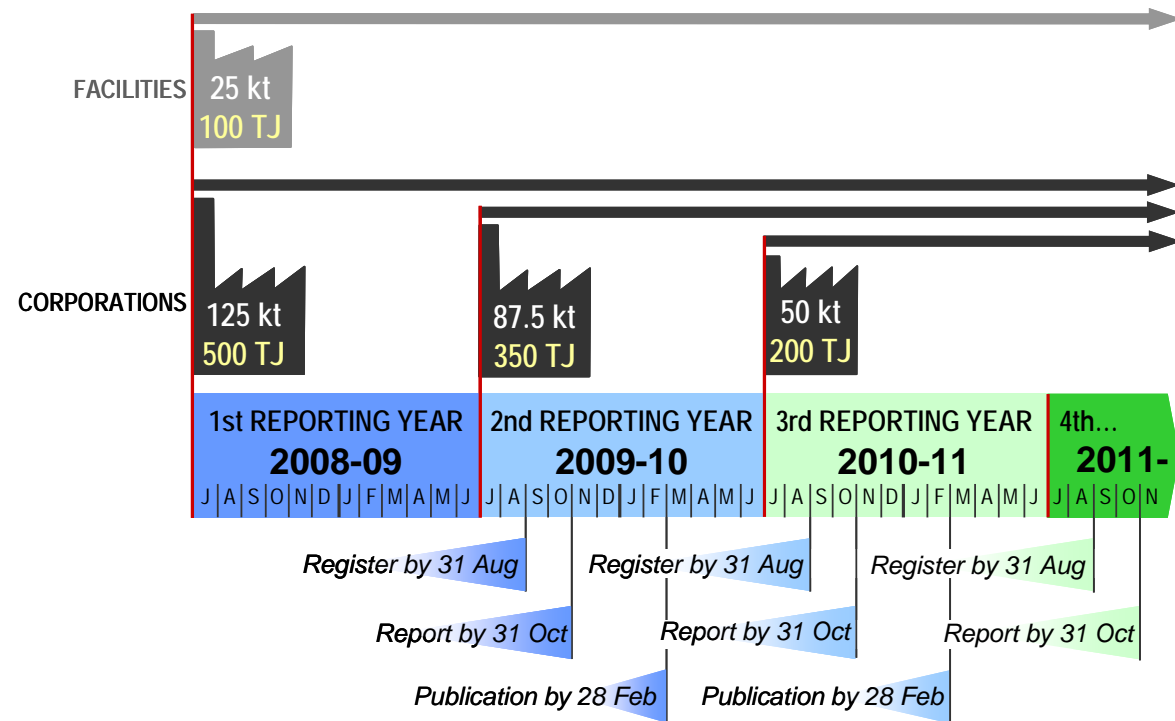
To collect information which will assist the government to establish an Emissions Trading Scheme, and to consolidate reporting requirements.

Reporting Threshold

- Registered organisations are required to report GHG emissions, energy production and energy consumption at the end of each financial year for the organisation or facility exceeding the threshold requirements

Practical Issues

- Identification of the structure of the organisation and the facilities included in a corporation's calculations and reporting.
- Taxation provision on carbon sinks
- Investor disappointment – opportunity lost – lack of investment quality data' including emissions broken down by category: direct / energy, indirect / other indirect.



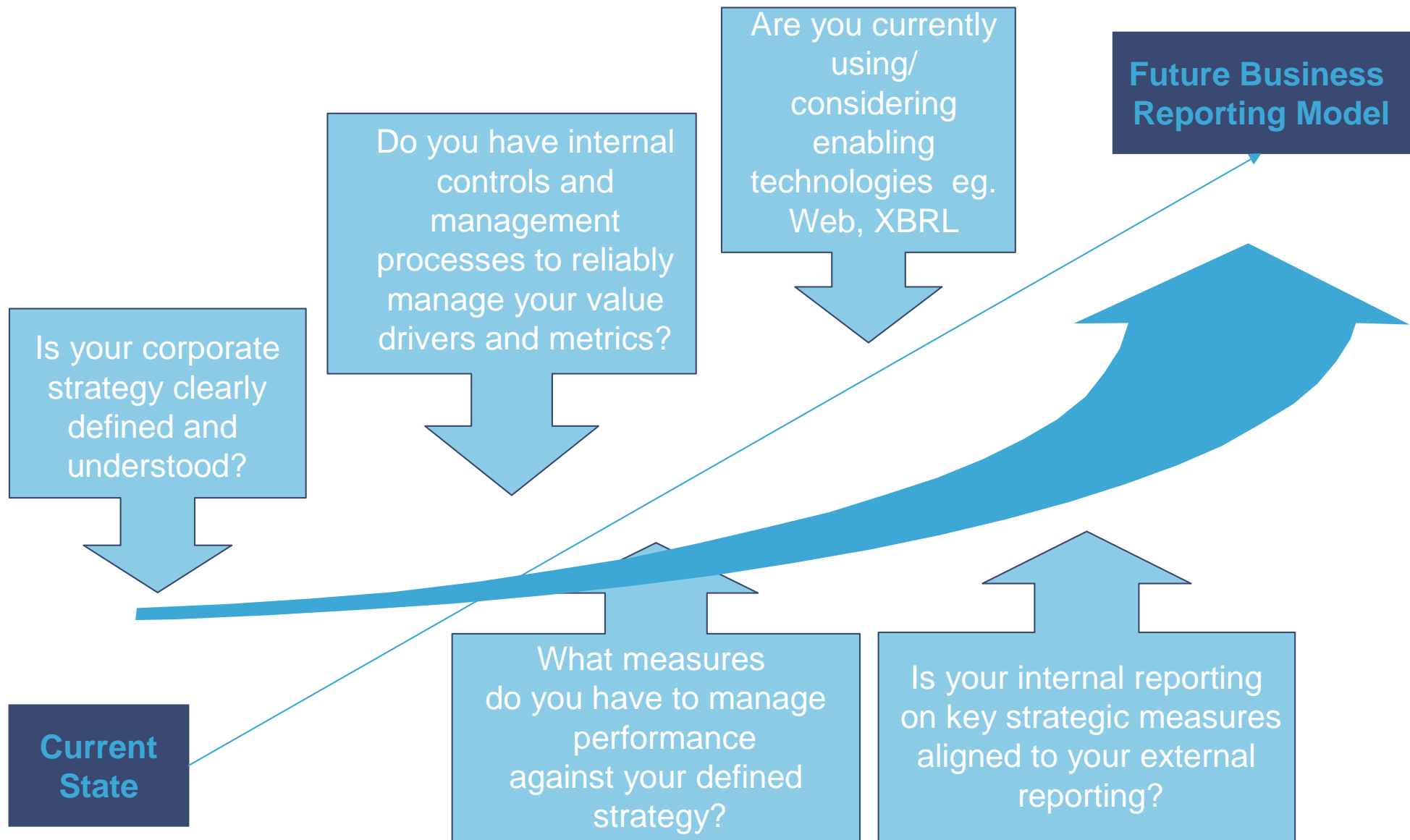
Climate Change: Impact on the P&L

		<i>Brand, customer demand, business interruption, product obsolescence, market dynamics</i>			
Revenue:	Gross Sales			Fixed Costs:	Permits and Licenses
	Less: Sales Returns and Allowances	_____			Interest
	Net Sales				Depreciation
Cost of Goods:	Materials				Property Taxes
	Variable Labor				Rent
	Misc.	_____			Insurance
	Less: Ending Inventory	_____			Utilities
	Cost of Goods Sold	_____			Bad Debts
	Gross Profit (Loss)	_____			Bank Service Charges
Variable Costs:	Advertising				Amortization
	Payroll				Total Expenses
	Payroll Taxes and Benefits				_____
	Sales Commissions				Net Operating Income
	Professional Fees				_____
	Operating Supplies				Other Income:
	Travel				Gain (Loss) on Sale of Assets
	Communications				Interest Income
	Maintenance and Repairs				_____
	Office Supplies				Total Other Income
	Miscellaneous				_____
					Net Income (Loss)
					Taxes
					Net Income (Loss) after taxes

Climate Change: Impact on the balance sheet

Assets		Liabilities and Capital	
Current Assets:		Current Liabilities:	
Cash		Accounts Payable	
Accounts Receivable		Sales Taxes Payable	
Less: Bad Debt Provision		Payroll Taxes Payable	
		Income Taxes Payable	
Stock	<i>Weather effects - inventory damage</i>	Accrued Wages Payable	
Prepaid Expenses		Other Taxes Payable	<i>Energy/carbon tax</i>
Notes Receivable			
Total Current Assets		Total Current Liabilities	
Fixed Assets:		Long-Term Liabilities:	
Buildings	<i>Weather effects - vulnerability of property</i>	Long-Term Notes Payable	
Less: Accumulated Depreciation		Mortgage Payable	
Vehicles	<i>Obsolescence, carbon taxation, increased depreciation</i>	Total Liabilities	
Less: Accumulated Depreciation			
Equipment		Capital:	
Less: Accumulated Depreciation		Equity	<i>Investor sentiment</i>
		Investment	
Total Fixed Assets		Total Capital	
Other Assets:		Total Liabilities and Capital	
Goodwill	<i>Brand/Reputation damage</i>		
Total Other Assets		NET WORTH	

How do you move towards the future business reporting model?



PwC Research

PwC driving the debate for an improved corporate reporting framework, one where key performance reports are: understandable, relevant, supportable, comparable over time, candid and in plain English.

Standing data can be disclosed on the Web

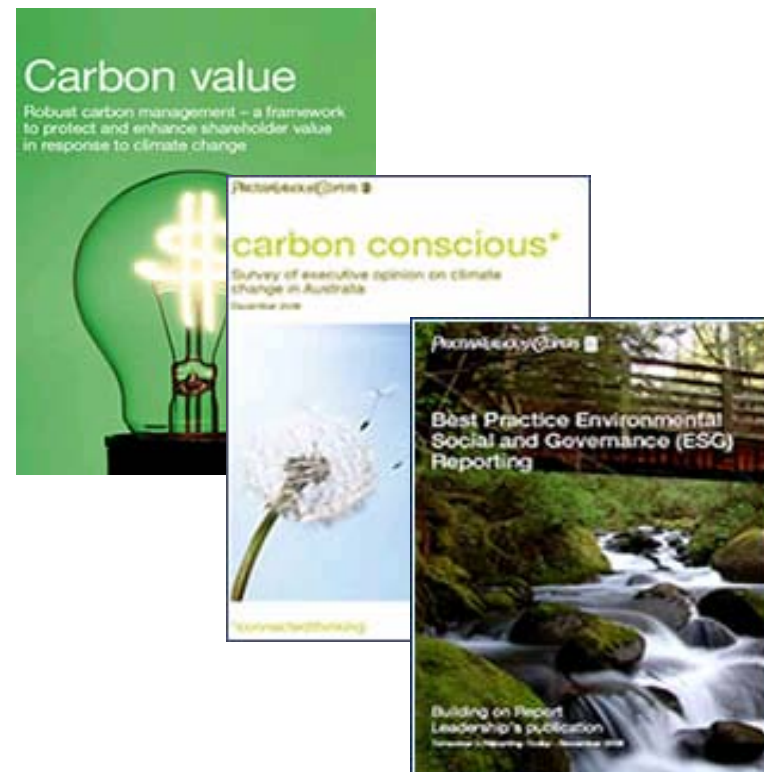
PwC have worked with stakeholders to provide good practice examples and pro-forma reports for consideration;

Trends 2007 – see www.corporatereporting.com

Shareholder Friendly Report with AICD – see www.pwc.com/.....

Generico – Report Leadership group of PwC, CIMA, Tomkins and Radley Yeldar – see www.reportleadership.com

Generico – Supplement 1 Best Practice ESG reporting – Released in July



Generico ESG Supplement (extract)

Our group strategy – Strategy progress statement

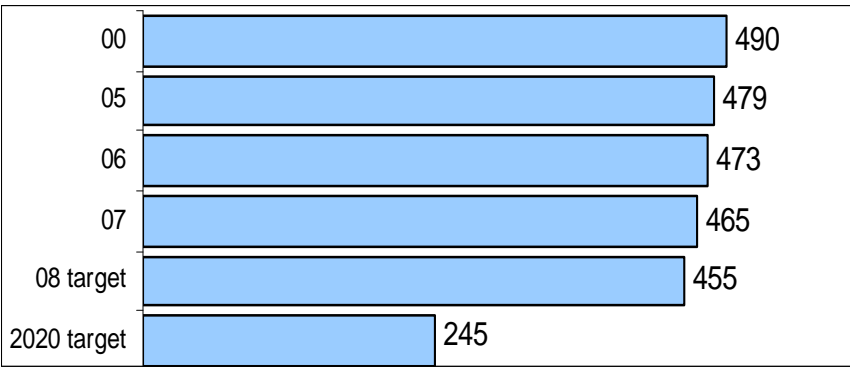
Strategic priority	Key performance indicators	
	Metrics	Definition/source
Developing next generation products	Percentage of revenue generated from new products	New product = one which has been introduced within the previous two years
	Product pipeline	The number of products in the pipeline due to be launched in the following two years

Key performance indicators		Potential challenges/ response
Performance		
Revenue from new products (%)	Product pipeline (number)	→ Imitation products Patent protection
05	05	
06	06	
07	07	
08 target	08 target	

Generico ESG Supplement (extract)

Our group strategy – Strategy progress statement

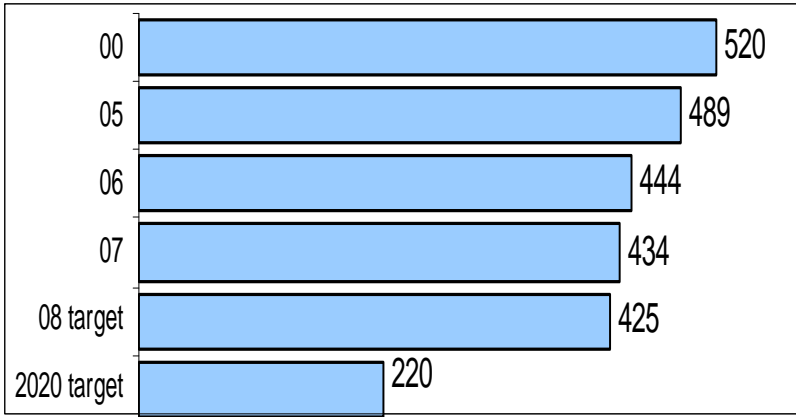
Strategic priority	Key performance indicators	
	Metrics	Definition/source
Operational excellence	Financial impact of climate change	Total greenhouse gas emissions across all business units, including emissions from energy usage, vehicle fleet, air travel and materials consumption (for basis of calculation refer to glossary)

Key performance indicators	Potential challenges/response	GRI indicator ref														
<p data-bbox="168 991 405 1023">Performance</p> <p data-bbox="168 1038 707 1070">Total GHG emissions ('000 tonnes)</p>  <table border="1" data-bbox="190 1129 1037 1497"> <thead> <tr> <th>Year</th> <th>Total GHG emissions ('000 tonnes)</th> </tr> </thead> <tbody> <tr> <td>00</td> <td>490</td> </tr> <tr> <td>05</td> <td>479</td> </tr> <tr> <td>06</td> <td>473</td> </tr> <tr> <td>07</td> <td>465</td> </tr> <tr> <td>08 target</td> <td>455</td> </tr> <tr> <td>2020 target</td> <td>245</td> </tr> </tbody> </table>	Year	Total GHG emissions ('000 tonnes)	00	490	05	479	06	473	07	465	08 target	455	2020 target	245	<ul data-bbox="1128 1038 1621 1540" style="list-style-type: none"> •Loss of comparative advantage •Physical and risk analysis of climate change impacts •Comprehensive program of GHG emission reduction •Carbon Neutral by 2009 •Climate change physical and financial risk analyses •Review of supply chain 	<p data-bbox="1621 991 1995 1023">EN3, EN4, EN8</p>
Year	Total GHG emissions ('000 tonnes)															
00	490															
05	479															
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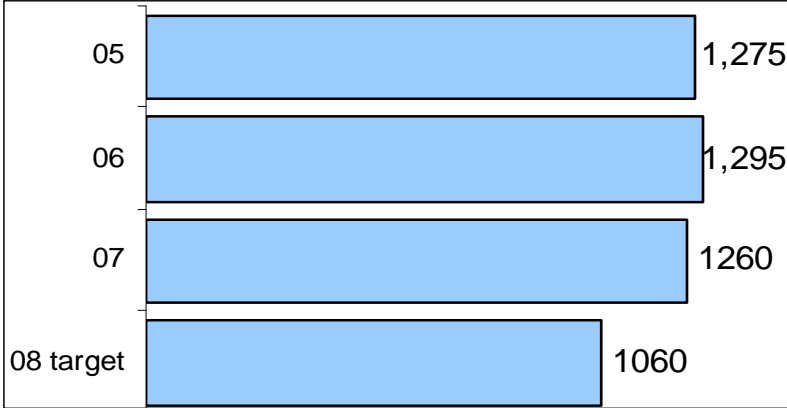
Strategic priority	Key performance indicators	
Operational excellence	Metrics	Definition/source
	Financial impact of energy & water consumption	Energy consumption is based on total energy consumption across all business units per FTE

Key performance indicators	Potential challenges/response	GRI indicator ref														
<p>Performance</p> <p>Energy consumption (MWh per FTE)</p>  <table border="1"> <caption>Energy consumption (MWh per FTE) Data</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>00</td> <td>520</td> </tr> <tr> <td>05</td> <td>489</td> </tr> <tr> <td>06</td> <td>444</td> </tr> <tr> <td>07</td> <td>434</td> </tr> <tr> <td>08 target</td> <td>425</td> </tr> <tr> <td>2020 target</td> <td>220</td> </tr> </tbody> </table>	Year	Value	00	520	05	489	06	444	07	434	08 target	425	2020 target	220	<ul style="list-style-type: none"> •Exposure to increasing volatile world energy and water markets •Progressive switch to accredited renewable energy sources •Investment in energy efficient production technology •Water recycling plants operational by 2009 	<p>EC2, EN16, EN17</p>
Year	Value															
00	520															
05	489															
06	444															
07	434															
08 target	425															
2020 target	220															

Generico ESG Supplement (extract)

Our group strategy – Strategy progress statement

Strategic priority	Key performance indicators	
Operational excellence	Metrics	Definition/source
	Financial impact of energy & water consumption	Total water usage is the aggregate water usage based on data provided by our water suppliers in each operational territory

Key performance indicators	Potential challenges/response	GRI indicator ref										
<p>Performance</p> <p>Total water usage (gigalitres)</p>  <table border="1"> <caption>Total water usage (gigalitres)</caption> <thead> <tr> <th>Year</th> <th>Usage (gigalitres)</th> </tr> </thead> <tbody> <tr> <td>05</td> <td>1,275</td> </tr> <tr> <td>06</td> <td>1,295</td> </tr> <tr> <td>07</td> <td>1,260</td> </tr> <tr> <td>08 target</td> <td>1,060</td> </tr> </tbody> </table>	Year	Usage (gigalitres)	05	1,275	06	1,295	07	1,260	08 target	1,060	<ul style="list-style-type: none"> •Exposure to increasing volatile world energy and water markets •Progressive switch to accredited renewable energy sources •Investment in energy efficient production technology •Water recycling plants operational by 2009 	EN3, EN4, EN8
Year	Usage (gigalitres)											
05	1,275											
06	1,295											
07	1,260											
08 target	1,060											

Generico ESG Supplement (extract)

Our accounts – net debt

Analysis of net debt NON-GAAP	Note	2007 £'000*	2006 £'000*
<i>Financing net debt</i>			
Cash and cash equivalents	12	(1,520)	(20)
Overdrafts	12	55	–
Borrowings		19,738	23,137
Financing net debt		18,273	23,117
<i>Operating net debt</i>			
Operating leases	22	14,370	13,825
Operating net debt		14,370	13,825
<i>Other debt-like liabilities</i>			
Pension deficit	15	14,800	11,400
Deferred tax asset on pension deficit	6	(4,440)	(3,420)
Net debt-like liabilities		10,360	7,980
Total net debt (change in year £1,919)	23	43,003	44,922

* Generico Accounts developed in United Kingdom on the basis of Australian data.

Generico ESG Supplement (extract)

Key Performance Indicators

Metrics	Scenario	FY08 capital expenditure	Carbon price* (per tonne)	Target carbon reduction by FY08 (tonnes)	Annual saving	Annual OPEX	Net annual saving	Non-financial impact
Financial impact of climate change (GHG)	Best	£60,000	£12	12,500	£150,000	-\$38,000	£112,000	Reputation Regulatory risk Employee engagement
	Base	£60,000	£12	10,000	£120,000	-\$38,000	£82,000	
	Worst	£60,000	£12	5,000	£60,000	-\$38,000	£22,000	

Source: Carbon price - refer to glossary

Metrics	Scenario	FY08 capital expenditure	Wholesale electricity price* (per MWh)	Target energy usage reduction by FY08 (MWh)	Annual saving	Annual OPEX	Net annual saving	Non-financial impact
Financial impact of energy & water	Best	£275,000	£40	10,000	£400,000	-\$180,000	£220,000	Reputation Supply chain risk Employee engagement
	Base	£275,000	£40	8,000	£320,000	-\$180,000	£140,000	
	Worst	£275,000	£40	4,000	£160,000	-\$180,000	-\$20,000	

Source: www.nemmco.com.au

Metrics	Scenario	FY08 capital expenditure	Retail water price* (per GL)	Target water usage reduction by FY08 (GL)	Annual saving	Annual OPEX	Net annual saving	Non-financial impact
Financial impact of energy & water	Best	£93,000	£1,200	250	£300,000	-\$127,500	£172,500	Reputation Supply chain risk Employee engagement
	Base	£93,000	£1,200	200	£240,000	-\$127,500	£112,500	
	Worst	£93,000	£1,200	100	£120,000	-\$127,500	-\$7,500	

Source: www.sydneywater.com.au

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