

FROM HSEC DATA VERIFICATION TO SUSTAINABILITY ASSURANCE – AN EVOLUTIONARY PROCESS?

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Over the past decade URS Australia Pty Ltd (URS) has been retained by a number of major mining and mineral processing companies to provide independent verification of Health, Safety, Environment and Community (HSEC) data as part of the Corporate reporting process. As these organisations move towards sustainable development and embrace the principles of Enduring Value, they have recognised a need to evolve the data verification process and provide broader assurance of sustainability governance, performance and reporting.

In recognition of this evolution, URS has developed an approach to assist clients towards best practice in sustainability assurance based upon “AA1000’ Assurance Standard”¹, which is based upon three broad principles, *i.e.*:

- Completeness – processes for identifying and understanding activities, impacts and performance;
- Materiality - providing a balanced representation of material aspects of performance; and
- Responsiveness – understanding and responding to key stakeholders’ views and how performance on these issues is managed.

In adopting this more robust process of sustainability assurance, organisations are realising significant benefits, including:

- A “line of sight” assessment of sustainability policy and commitment implementation at a corporate, divisional and site level, including identification, assessment and management of non-financial risk;
- Encouraging continuous improvement in sustainability performance throughout the company;
- Independent assurance of sustainability reporting, and building trust with external stakeholders; and
- Protection against risk to reputation, thus protecting shareholder value.

This paper summarises URS sustainability assurance process and highlights some of the challenges and practical benefits of implementing broader assurance of sustainability governance, performance and reporting; and will focus on lessons learned for clients involved in production of a wide range of commodities in a number of unique settings around the world.

¹ AccountAbility Institute of Social and Ethical Accountability. Assurance Standard AA1000, March 2003, London, UK.

INTRODUCTION

URS Australia Pty Ltd and URS Verification Ltd are part of a global organisation (URS Corporation) (hereafter URS) comprising over 30,000 employees in more than 20 countries. We are a professional services company providing environmental and engineering expertise to businesses and communities. URS has developed a leading profile in public sustainability report development and verification over the past ten years. In the beginning, we were retained by a number of major mining and mineral processing companies to provide independent verification of HSEC data as part of the Corporate reporting process. As these organisations move towards sustainable development and embrace the principles of “Enduring Value”, they have recognised a need to evolve the data verification process. In response, URS services have also evolved to meet that need, and are focussed on adding significant value to clients by providing broader assurance of sustainability governance, performance and reporting.

URS is a key sponsor of “AA1000 Assurance Standard” and regularly reviews client reports against the Global Reporting Initiative (GRI) guidelines and mining and metals supplement². The heritage of our company is in the provision of technical consulting services to industries, such as the mining and mineral processing industry, and we have a strong understanding of technical issues, which is a critical factor in assisting clients through a defensible and credible sustainability assurance process. We have extensive experience in assisting clients with their sustainability agendas and understand that the sustainability assurance process itself is now regarded by our clients as more important than simple verification and sign off of HSEC data as part of the Corporate reporting process. The sustainability assurance process is now being used by URS and our key clients as an effective vehicle for driving the sort of organisational culture change that is needed to implement a sustainable development agenda

We have developed a leading approach to assist clients towards best practice in sustainability assurance based upon the three broad principles of “AA1000 Assurance Standard”, *i.e.*:

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- Responsiveness – understanding and responding to key stakeholders’ views and how performance on these issues is managed.

In adopting this more robust process of sustainability assurance, mining and mineral processing organisations are realising significant benefits, including:

- A “line of sight” assessment of sustainability policy and commitment implementation at a corporate, divisional and site level, including identification, assessment and management of non-financial risk;
- Encouraging continuous improvement in sustainability performance throughout the company;
- Independent assurance of sustainability reporting, and building trust with external stakeholders; and
- Protection against risk to reputation, thus protecting shareholder value.

This paper summarises URS’ sustainability assurance process and highlights some of the challenges and practical benefits of implementing broader assurance of sustainability governance, performance and reporting. In doing so, we focus on lessons learned for key mining and mineral processing clients involved in production of a wide range of commodities in a number of unique settings around the world. We have also developed this paper to align closely with the principles of “Enduring Value”, in particular **Principle 10** “Implement effective and transparent engagement, communications and independently verified reporting arrangements with stakeholders” and **Element 10.2** “Provide information that is timely, accurate and relevant”. “Enduring Value” indicates that industry Signatories should:

- Providing information within appropriate timeframes and contexts and identify the reporting period;
- Validating data, information and processes in performance reports;
- Utilising appropriate verification processes for reports to provide public confidence in the information being reported;

² *Global Reporting Initiative 2002 Guidelines; Mining and Metals Sector Supplement 2005.*

- Systematically identifying stakeholder information needs to ensure that information provided is relevant; and
- Utilising stakeholder feedback on the reporting structure, format, timeframes and verification to continually improve the reporting process.

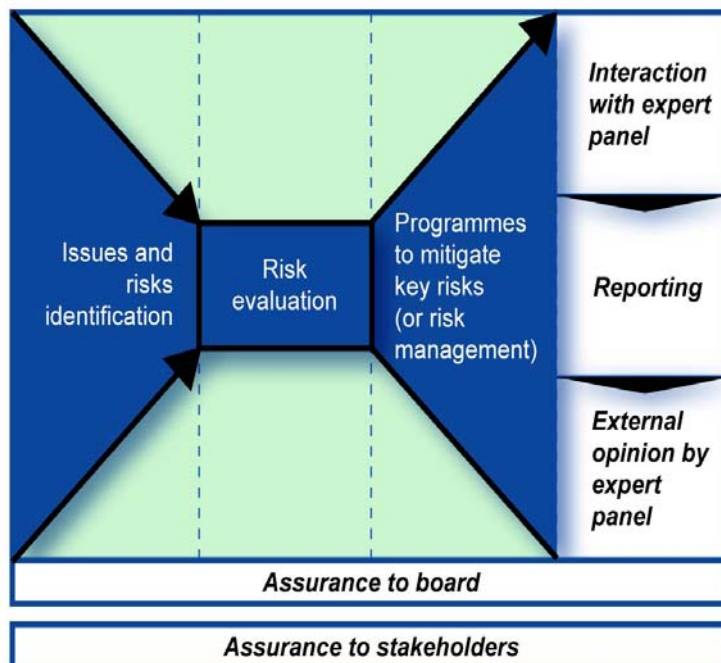
OBJECTIVES

The key objectives of the URS sustainability assurance program completed for URS clients are to:

- Obtain an independent view of the client’s sustainability strategy and governance, to determine its ability to deliver group-level performance;
- Assess methods for identifying material issues, to determine the suitability of metrics (e.g. key performance indicators) to provide a balanced representation of the key impacts and risks presented by the company and its commodity businesses;
- Assess awareness of and response to stakeholder concern issues in two groups – investors at group level and local communities at site level - to determine responsiveness to stakeholders’ issues; and
- Assess the content of sustainability reporting, including health safety, environment, community, workplace and marketplace aspects, to ensure it is complete, fair, balanced, accurate and accessible.

Our approach is aligned with “AA1000 Assurance Standard”, which URS regards as current best practice in non-financial assurance. Outlined below is an approach URS has developed to address

Figure 1: Schematic approach



the emerging trends in sustainability assurance. The process comprises three phases: one - identifying risks and issues, two - assessing how they are managed and three - providing assurance both internally and to the stakeholders. The overall process is shown in **Figure 1**.

SUSTAINABILITY ASSURANCE PROGRAM

Sustainability in the mining and mineral processing industry covers a wide range of social, environmental and economic issues and impacts. URS generally develops an assurance program for key clients that reviews:

- **Leadership and vision** – assessment of corporate structure and responsibilities, strategies and policies through interview of directors/managers at group level and in commodity businesses and through document review;
- **Management systems** - assessment of those in place at a group level and/or in commodity businesses, divisions and sites through interview and document review with managers responsible for sustainability issues;
- **Engagement with stakeholders** - through interview with investors/stock exchange (social responsibility) investment analysts at group level and local communities at site level to assess responsiveness to their key issues;

- **Performance data and information collection and analysis processes** - through assessment of scope and appropriateness of performance metrics and robustness of data and information generated; and
- **Internal assurance processes** - e.g. witness of internal assurance assessment process at a site level and review selected findings from the internal assurance assessment.

a) Leadership and vision. URS generally interviews a number of client directors and managers at group level, in commodity businesses and at a site level. For a moderately large international mining/mineral processing client we would generally conduct about 25 interviews. Each interview normally lasts up to two hours and assists URS to build an understanding of overall sustainability governance, enabling us to provide the client with a robust and defensible assurance statement regarding its performance and reporting.

The discussion at interview relates primarily to the specific area of the director or manager being interviewed, as well as the client company's own position. The generic areas explored during interview include roles and responsibilities; identifying, mitigating and communicating key non-financial risks; assessing sustainability measurement and performance for the period; and level of engagement with key stakeholder groups. Some interviews raise issues that can only be resolved later through specific document review.

One of the main purposes of the URS interview process is to obtain the interviewee's own views on sustainability and organisational implementation "in-confidence" and generally key advisers are not invited to attend the interview. This process has to be well managed and anonymity guaranteed. It is not possible to provide interviewees with a list of specific questions pre-interview as URS is attempting to avoid obtaining the client's pre-prepared "Corporate line" answers.

- b) Management systems.** Management systems in place at a group level and in commodity businesses, divisions and sites are reviewed through the interview and document review processes described in **a)**, above. URS generally completes an assessment of sustainability policy and determines commitment and mechanisms for implementation at a corporate, divisional and site level, including identification, assessment and management of non-financial risk.
- c) Engagement with stakeholders.** – Engagement with stakeholders is assessed through interview with client company investors and investors/stock exchange (social responsibility) investment analysts at group level and local communities at a site level to assess responsiveness to their key issues. At the group level, the interviewees are questioned regarding their perception of the client company in the marketplace, sustainability performance and reporting in the period of interest and previous periods. At a site level, this means including interviews with several key community/stakeholder groups.
- d) Performance data and information collection and analysis processes** - an assessment of scope and appropriateness of performance metrics (indicators) and robustness of data and information generated and included in the Sustainability report is completed by URS. At a site level approximately seven to ten site audits are completed for a moderately large international mining/mineral processing client. Traditionally, site audits have focussed on reviewing HSEC data submitted by the site for inclusion in the Corporate Sustainability report such as safety incident statistics, environmental emissions and resource use efficiency, and community interaction, investment and complaints. The main objective is to validate collection, processing and reporting of selected HSEC data to corporate office. This is still an important part of the sustainability assurance process and site-specific audit protocols are developed based on key performance metrics but also address specific aspects of operations. URS auditors use their auditing experience and knowledge of the mining/mineral processing industry to provide feedback to site management.

In recent years, URS has broadened the scope of site audits to include interview with site managers to review the identification and management of significant non-financial operational risks; interview with several community representative groups, setting and review of progress towards any existing sustainability targets, confirmation of the veracity of any case study data and feedback to on-site management regarding sustainability performance and site audit findings.

URS generally obtains key sustainability performance metrics (e.g. emissions to air, resource conservation and management, health and safety) for all of the sites operated by the client in the year preceding the period of interest. Specific sites are then selected for audit based on

contribution to sustainability performance. Additionally, sites which have been audited in previous years are generally omitted from the site audit schedule unless significant site changes have occurred to increase the risk of impacts upon sustainability performance.

e) Internal assurance processes – If a client company has an internal assurance assessment process that is likely to be included in the sustainability report, URS will seek to review the effectiveness of this program rather than duplicating.

DELIVERABLES

The documented outputs from the URS sustainability assurance program are:

- Individual Site Management Feedback Reports for participating sites, copies of which are provided to client Group management;
- If required URS can arrange for an independent Assurance Statement that can be included in the client's sustainability report for the period of interest. It should be noted that the value and process of attaining such independent assurance statements is continuing to evolve and this will be discussed in more details later;
- An Executive Management Report for senior client Group management representatives (e.g. Board of Directors) including URS' opinion on materiality, completeness and responsiveness and highlighting key findings on sustainability, strengths, priority areas for development and recommendations; and
- Presentation(s) to senior client Group Management representatives.

DISCUSSION

Adoption of a broader sustainability assurance program by mining/mineral processing clients can provide a number of benefits that are closely aligned with **Principle 10** and **Element 10.2** of "Enduring Value". This process facilitates implementation of sustainability principles, drives continuous improvement in sustainability performance and reporting; provides independent assurance of sustainability reporting; engenders trust with external stakeholders; and helps protect reputation, thus protecting shareholder value.

There are some challenges associated with the broader sustainability assurance process outlined in this paper and include:

- Senior managers often have significant demands on their time and scheduling of interviews can be difficult. There can be some initial reluctance to be interviewed without a detailed list of questions being provided pre-interview.
- Site personnel are audited on a regular basis for a variety of purposes and can initially be reluctant to participate in the audit/interview process.
- Some site personnel are initially reluctant to engage in discussions on sustainability.
- Verification statement documentation is generally required by the client within a few days of receipt of the final draft of the sustainability report.

Most of the challenges associated with implementing a broader sustainability assurance program can be overcome by providing clear instructions to client personnel regarding the purpose and scope of the program. It is important that an experienced audit team is formed and that regular contact is maintained with key client personnel. The URS sustainability assurance program generally takes place throughout the reporting period and much of URS' workload is associated with preparing clients for the audit component completed towards the end of the period being reported by the client. The result of this process is that client personnel are generally better prepared for site audits, less reluctant to be involved in audits, which are generally completed more efficiently.

FUTURE DIRECTIONS

In the UK / European arena, where for sometime many companies have been at the forefront of the emergence of new trends in CSR, URS has seen a number of the more progressive and in some cases the larger mineral and oil and gas sector companies (most notably Shell) moving to expert panels to drive towards a more demonstrably independent assurance process. These panel members, in the main academics, are engaged to review and challenge the organisations performance and give their thoughts on the issues identified. In some respect they do a CSR management health report for the company.

This evolution has come because of two things:

- the cost of verification - the costs have risen, and there is some indication that with the new GRI guidelines (G3) the costs are set to rise again. Enterprising companies are asking what they are getting for this and does it really curry favour and add to credibility?; and
- a growing opinion amongst corporates and stakeholders that verification and assurance is not so clear cut - is the company having the process or the outputs verified? Both types are seen as being verified but there is no comparison between the two.

As a leader in providing sustainability services to the mining and mineral processing industry, URS has been continuing to evolve its service range and focus on providing sustainability management services associated with the ongoing sustainability assurance process. Client feedback indicates industry is embracing the principles of “Enduring Value” and have recognised a need to evolve the data verification process. It is clear that sustainability management services are more valued by our clients than simple independent data verification and sign-off of verification statements. Indeed, undertaking such work can limit URS access to additional work, should a conflict of interest issue arise. As such, although URS is continuing to develop services that assist to improve the level of assurance we no longer provide independent sign-off of sustainability reports now focusing on adding significant value to clients by providing an ongoing, broader range of assurance services associated with sustainability governance, performance and reporting.

Still fundamental to the URS’ management services is to ensure that the demands are met of managers, trading partners, investors, consumers, regulators and NGOs for the provision of relevant, timely and accurate information relating to aspects of economic, environmental and social performance. A common misconception is that assurance relates only to public reports. However, assurance should not be seen as a procedure to boost the credibility of publicly stated claims of a company’s performance. Underlying the URS approach is the recognition that of equal, if not more importance, is the assurance of a company’s underlying systems and processes as well as its products, services and governance. Sustainability assurance processes should be conducive to addressing different stakeholder requirements and in so doing drive improved triple bottom line performance for an organisation. In short, URS is responding to the fact that the assurance process is progressively metamorphosing into an integral part of the learning and innovation process for the “successful organisation”. What is more important knowing that a report is accurate or that the company is responsible and has effective management controls in place?

So if stakeholder panels are the next phase in assurance what are their benefits compared to the more traditional approach already discussed?

- They remove the potential perceived conflict of interest between payment of fees for the assurance process and the preparation of the external opinion statement;
- A balanced panel of experts or stakeholder can respond clearly to a range of stakeholder interests;

However limitations may also exist:

- the depth and breadth of research and assessment conducted by the panel is likely to be less than we have presented earlier;
- the level of assurance that internal processes are being effective, a key focus of the company's board is likely to be lower; and
- individual issue experts may have a tendency to focus their comments on their areas of specialism.

URS considers that the stakeholder led assurance reflects a next step in the evolution of the assurance market, further removing the organisation providing the external commentary from the reporting organisation, and enabling the client to capitalise on its existing independent experts. However, clearly there are still some potential limitations that need to be addressed to enable this approach to meet the expectations of all stakeholders.

CONCLUSIONS

URS continues to develop leading approaches to assist clients towards best practice in sustainability assurance based upon the three broad principles of “AA1000 Assurance Standard” (materiality, completeness and responsiveness). In adopting more robust process of sustainability assurance, organisations will increasingly realise significant benefits that are closely aligned with **Principle 10** and **Element 10.2** of “Enduring Value”. Such processes also facilitates implementation of sustainability principles, drives continuous improvement in sustainability performance and reporting; provides independent assurance of sustainability reporting; engenders trust with external stakeholders; and helps protect reputation, thus protecting shareholder value.

There are some challenges associated with adopting and implementing the broader sustainability assurance process outlined in this paper, however these can be overcome by providing clear instructions to client personnel regarding the purpose and scope of the program selecting an experienced audit team and maintaining regular contact with key client personnel.

The mining and minerals processing industry is embracing the principles of “Enduring Value” and has clearly values ongoing sustainability management services more highly than simple independent data verification and sign-off of verification statements.

URS will focus on adding significant value to clients by providing an ongoing, broader range of HSEC management services associated with sustainability governance, performance and reporting.



PAPER SUBMISSION SD06 – OPERATING FOR ENDURING VALUE

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