

**Code of Sustainable Practice**





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## I Energy Supply Association of Australia

The Energy Supply Association of Australia (**esaa**) represents major Australian energy supply industry businesses in the electricity - generation, transmission, distribution and retail - and gas - transmission, distribution and retail - sectors. **esaa** works with governments on behalf of its member businesses to achieve policy settings that will encourage the reliable supply of electricity and natural gas at competitive prices and in a sustainable manner.

The Australian electricity and gas supply industries are, and will remain, major contributors to the well-being of the community by supplying essential energy and related services and by underpinning community development generally.

**esaa promotes responsible economic, environmental and social management through effective corporate governance within a sustainable energy business framework.**

## II Energy Supply Industry

The Energy Supply Association of Australia represents major Australian energy supply industry businesses in the electricity and gas supply sectors.

In 2001-02, the Australian electricity supply industry generated around 201,000 GWh of electrical energy produced from an installed capacity of 44,772 MW for some nine million customers. Some 84% of this energy was produced from coal, 8% from gas-fired plant, and 8% from hydro-electric generation with a small amount produced by other sources. Electricity is supplied to customers through 777,000 kilometres of overhead and 84,700 kilometres of underground transmission and distribution supply lines. Further industry data are provided on the Energy Supply Association web site [www.esaa.com.au](http://www.esaa.com.au) and are published in the annual Association publication Electricity Gas Australia.

In 2002, the Australian gas supply industry produced around 1242 PJ of natural gas from the three major basins in Western Australia, Victoria and South Australia-Queensland. Gas is supplied to approximately 3.5 million customers through 20,000 kilometres of high-pressure gas transmission pipeline and over 75,000 kilometres of low-pressure distribution networks. Further industry data are provided on the Energy Networks Association website [www.ena.asn.au](http://www.ena.asn.au) (incorporating the former Australian Gas Association website).

The energy supply industry is a leader in environmental management in Australia. Operating independently, and through **esaa**, businesses continue to be involved in a range of environmental and other activities including:

- commitment to the **esaa** Code of Environmental Practice;
- operation of comprehensive environmental management systems;
- management of environmental quality (air, water, land, etc.);
- participation in various government energy and greenhouse response programs, such as the Greenhouse Challenge Program and Generation Efficiency Standards;
- renewable energy programs, including the Mandated Renewable Energy Targets measure and Green Energy programs;
- consultative programs with government, stakeholders and local communities; and
- regular reporting on activities.

**esaa and its members, through working with customers, suppliers, government, the community and other stakeholders, are committed to continual improvement in economic, social and environmental performance.**

## 1 Introduction

This Code of Sustainable Practice sets out the energy supply industry's requirements for achieving sustainability in the sector. Conformance to the Code will assist businesses in their implementation of sustainability in their business practices. This Code has been developed from the former Electricity Supply Association of Australia Code of Environmental Practice of 1997 (revised in 2001), which included a commitment to the principles of sustainable development. It takes into account a number of publications including the World Business Council for Sustainable Development 2002 report *Sustainability in the Electricity Sector* and standards such as the ISO 14000 series on Environmental Management and AS 8000 series on Corporate Governance.

While the concept of sustainability and its application to business is still evolving, various industries are seeking to implement sustainability in their business sector, e.g. the World Business Council for Sustainable Development (2002), the International Council for Mining and Metals (2003) and the International Hydropower Association (2004). Businesses adopting sustainability as a central business philosophy will be recognised by stakeholders as being responsible and progressive. Such business stakeholders include the general public, government, customers, shareholders, non-government organisations and staff.

## 2 Sustainability for Energy Supply Businesses

The World Business Council for Sustainable Development defines sustainable development as

**“forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs”.**

Most statements by governments on sustainability - the outcome of sustainable development - provide similar framework positions and see sustainability as an objective to be aimed for with many steps along the way, rather than a goal to be achieved in the near term.

The concept of sustainability includes integrated consideration and management of the three areas of economic, environmental and social performance. A business adopting *sustainability* as a business *philosophy* and practice would be expected to:

**consistently balance the environmental, economic, social and corporate governance needs of the business with a view to understanding and protecting the potential needs of future generations.**

Such a business would:

- be financially profitable;
- use appropriate technology;
- be environmentally responsible; and
- be socially responsible.

It would produce products, services and social benefits which support meeting community sustainability goals.

The business advantages of adopting sustainability include:

- enhancing business efficiency through continuous improvement;
- improving business culture;
- improving accountability to all stakeholders;
- reducing business risk;
- optimising resource use and reducing costs; and
- enhancing corporate reputation.

These business attributes will lead to businesses having improved ability to adapt to changing market conditions, better relationships with the community and government, and greater commitment from customers and employees.

### 3 Code of Sustainable Practice

This Code has been developed and promoted by the **esaa** as the public acknowledgment of the commitment of the member businesses to become “sustainable businesses”. The Code covers the three broad areas of sustainability and consists of:

- an economic strategy;
- an environmental strategy; and
- a social strategy.

The economic area includes current business and financial management considerations, many of which will be already performed in member businesses, as well as some issues which should be regarded as common to all areas, such as reporting and training. The Code incorporates all current industry environmental commitments as stated in the **esaa** Code of Environmental Practice. The social area includes many activities which are already being performed by member businesses.

*The three areas should be considered together for implementation purposes and employ the general principles contained in Appendix A that provide guidance to businesses for the adoption of sustainability into management practices.*

For each area, a policy position is presented followed by a number of ‘actions’ that constitute practical ways of implementing the policies into management practices in a business and can be used to assess management performance against the Code.

**esaa** encourages individual energy supply businesses to commit to and implement the Code. Energy supply businesses that commit to the Code will have their names entered on a public register held by **esaa** and be issued with a certificate of commitment.

The commitment by the businesses entails:

- implementation and adherence to the Code;
- reporting of sustainability performance to stakeholders; and
- assessment and reporting of performance against the Code.

Businesses should regularly measure their performance against the Code actions. A proforma to assist this process will be provided by **esaa**. Assessment of performance will be reported on by **esaa** annually or as determined. Suitably qualified internal or external staff may conduct such performance assessments against the Code actions. A guidelines document which provides more detail on appropriate actions to assist in implementation and assessment of the Code will also be available from **esaa**.

Commitment to the Code will improve business performance on sustainability and encourage continual performance improvement in the business.

Operation of the Code will be reviewed every three years; the review will be undertaken by **esaa** in consultation with signatories to the Code.

The measurement, management and reporting of actual outcomes from the adoption of sustainability actions of the Code will require the use of *performance indicators* for sustainability. A range of possible *performance indicators* for managing and reporting on sustainability are listed in other reports, such as:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2002; and
- **esaa** Triple Bottom Line Reporting Guidelines for the Australian Electricity Industry, February 2003.

However, such lists of indicators are not all encompassing and businesses may need to adapt these or develop other indicators for their particular circumstances.

More detail on issues addressed by the Code is provided in the Further Reading section.

## 4 Economic Strategy

### 4.1 POLICY

**esaa** and its member businesses are committed to meeting owner and community expectations in relation to providing sound business practice and ethics (including corporate governance) and financial returns, minimising risk, achieving organisational growth and long-term sustained productivity increases, contributing to improved global competitiveness and to the intellectual capital of the industry. Such performance needs to be integrated with advancing the national economy, preserving the environment and supporting community social goals.

**esaa** and its members encourage the efficient supply and responsible use of electricity and gas, promote sound resource management practices, and support research into improving the sustainability of energy supply.

### 4.2 ACTIONS

#### 4.2.1 Comply with legislation and regulations

Energy supply businesses as a minimum will comply with all legislation and regulations relevant to the business as issued by all levels of government.

#### 4.2.2 Support ethical business practice

Energy supply businesses will develop policies, codes of conduct and company practices which promote a high level of business ethics and practice, and corporate governance in relation to management, markets, employees, customers, suppliers, the environment, the community and other stakeholders.

#### 4.2.3 Integrate sustainability principles into planning and decision-making

Energy supply businesses will integrate sustainability principles (economic, environmental and social) into corporate planning and decision-making. This will include environmental impact assessments, social impact assessment on local communities, recognition of externalities, and consideration of resource utilisation in operational and investment planning.

#### 4.2.4 Deliver competitive return on assets/equity

Energy supply businesses will seek to provide a competitive return on assets and equity in order to achieve targets, to ensure assets are responsibly maintained and to increase shareholder value prudently.

#### 4.2.5 Improve productivity and efficiency

Energy supply businesses will seek to improve productivity by improved operational, resource use and investment efficiencies. This could also include the use of buying power to improve supply chain management and sustainability in the wider community.

#### 4.2.6 Apply transparent, fair and affordable prices

Energy supply businesses will seek pricing and market reforms in consultation with government and the community that are fair and affordable, noting the need to sustain the energy supply system, to provide supply to disadvantaged communities and to support business development.

#### 4.2.7 Support research and development

Energy supply businesses will develop industry capabilities in management, technology, environmental protection and social understanding by monitoring and supporting where appropriate research, development and commercialisation, including through partnerships with government, the community and research centres.

#### 4.2.8 Provide training and education

Energy supply businesses will provide staff training and education programs to ensure that industry capabilities are developed and continuous improvement achieved.

#### 4.2.9 Support business development

Energy supply businesses will seek to support business development in their own business and the community as part of economic development programs.

#### 4.2.10 Manage liabilities and risk

Energy supply businesses will have risk assessment and management systems which reduce liabilities and mitigate risks through efficient financial and operational planning, audit programs and the implementation of continual improvement mechanisms. Systems will consider economic, environmental and social impacts and risks.

#### 4.2.11 Measure and report performance

Energy supply businesses will develop and use appropriate indicators to measure “triple bottom line” (economic, environmental and social) performance and should regularly report on this performance as well as general sustainability issues in the business.

## 5 Environmental Strategy

### 5.1 POLICY

**esaa** and its members are committed to the development and implementation of environmental management systems, including performance standards and management plans, the encouragement of cleaner production and the adoption of continual improvement principles to minimise environmental impacts.

**esaa** and its members are committed to employee environmental education, safe waste management and avoidance of potentially hazardous materials. Members are committed to complying fully with relevant environmental legislation and regulations. **esaa** and its members support research into reducing environmental impacts of the energy supply system, including the development of renewable and alternative energy technologies, and the support protection of natural areas and biological diversity. In circumstances where risks are uncertain and consequences are potentially serious, **esaa** members will act prudently.

### 5.2 ACTIONS

#### 5.2.1 Comply with environmental legislation and regulations

Energy supply businesses will, as a minimum, comply with all environmental legislation and regulations as issued by all levels of government.

#### 5.2.2 Implement environmental management systems

Energy supply businesses will adopt sound environmental management practices and seek to bring their environmental management in line with internationally recognised and verified standards, such as the ISO 14000 series. This includes the use of environmental policies, management plans, risk analysis, continuous improvement, employee education and training, emergency preparedness and reporting.

#### 5.2.3 Develop and implement low environmental impact technologies and measures

Energy supply businesses will strive to manage the continual improvement of discharges to the environment, develop cost-effective, low environmental impact technologies and measures, and the management of emergency situations.

#### 5.2.4 Develop greenhouse gas reduction strategies

Energy supply businesses will develop and implement appropriate greenhouse gas reduction strategies, in consultation with government and the community.

#### 5.2.5 Develop renewable energy

Energy supply businesses will seek to develop opportunities for the greater use of renewable energy, in terms of their technological development, demonstration and commercial application.

#### 5.2.6 Promote energy and resource efficiency

Energy supply businesses will seek to promote cost-effective energy and resource efficiency in their own operations, and, in cooperation with government and the community, among their customers and in the broader economy. This includes improving the efficient use of natural resources, responsible use of energy, reducing energy and material waste, and recycling, reusing or disposing safely of remaining waste.

#### 5.2.7 Undertake environmental education and training

Energy supply businesses will raise awareness and skills among employees, contractors and other stakeholders concerning environmental issues.

#### 5.2.8 Rehabilitate sites

Energy supply businesses will plan for and rehabilitate land and the local environment affected by their operations, including matters associated with plant closure.

#### 5.2.9 Support conservation programs

Energy supply businesses will support land rehabilitation, nature conservation, heritage preservation and biodiversity enhancement in consultation with stakeholders, particularly those related to impacts from energy supply business operations.

## 6

## Social Strategy

### 6.1 POLICY

**esaa** and its members promote a socially responsible approach to the management of Australia's electricity and gas supply businesses. **esaa** and its member businesses work with all stakeholders including employees, regulators, government, business and the local and broader Australian community to develop and implement practices that are equitable, safeguard human health, welfare and the environment, minimise adverse social impacts and risks, and enhance community development. In order to achieve this, **esaa** and its members seek to achieve clear, open and honest communication with all stakeholders.

### 6.2 ACTIONS

#### 6.2.1 Achieve equitable outcomes

Energy supply businesses will adopt decision-making processes and policies which take into account the views of all stakeholders - including shareholders, employees, customers and the community - in achieving equitable outcomes and contributing to social advancement.

#### 6.2.2 Provide safe and reliable service

Energy supply businesses will develop and maintain energy supply and distribution systems to provide a safe and reliable service through sound asset management practices, and provide advice to the community, including government, on the safe use of energy.

#### 6.2.3 Adopt a Precautionary Approach

Energy supply businesses will use a precautionary (prudent) approach on issues (such as electric and magnetic fields) where scientific knowledge is inconclusive to reduce the risk of serious or irreversible consequences.

#### 6.2.4 Promote employee health and safety

Energy supply businesses will, as a minimum, comply with all health and safety legislation and regulations as issued by all levels of government, and provide high standards of health and safety for employees and contractors in all aspects of business management and operations.

#### 6.2.5 Promote employee wellbeing

Energy supply businesses will support employee wellbeing in all aspects of employment (such as pay and conditions, training, equal opportunity, human rights, etc.) with a view to enhancing business performance, and providing a balanced lifestyle and job satisfaction for employees.

#### 6.2.6 Consult stakeholders

Energy supply businesses will have processes for identifying, engaging and openly consulting relevant stakeholders, and consult stakeholders (through for example surveys or community meetings) on significant sustainability issues related to the energy business.

#### 6.2.7 Provide information

Energy supply businesses will provide timely information and education for stakeholders and the community on business actions and operations, particularly those which have significant effects, including the regular reporting of performance.

#### 6.2.8 Support key social programs

Energy supply businesses will maintain awareness of social issues, concerns and priorities of their stakeholders and support social development programs, particularly those of benefit in their local areas, in consultation with the community or other agencies.

#### 6.2.9 Support employment

Energy supply businesses will recognise the value of local employment and suppliers, and support such activities where feasible.

#### 6.2.10 Create viable products and service

Energy supply businesses will develop a viable range of products and services sensitive to the needs of different parts of society, and consider the development of new, innovative products or resources.

## APPENDIX A:

The following principles and objectives (based on World Business Council for Sustainable Development, 2002) provide guidance to energy businesses which will facilitate the adoption and integration of sustainability into their business practices.

### **Guiding vision and goals**

Develop a clear vision of sustainability for the business and define the goals that support that vision.

### **Holistic perspective**

Adopt a holistic and integrated view of the role and impacts of business operations.

### **Essential elements**

Define and assess the essential elements of sustainability (economic development, environmental quality and social equity) in business decisions and operations.

### **Precautionary approach**

Adopt a precautionary attitude and modify energy supply business operations where practical, consistent with scientific/technical understanding, to prevent serious or irreversible environmental or social degradation.

### **Adequate scope**

Adopt a time horizon long enough to capture both human and ecosystem time-scales, where possible, and deal with a large enough space to capture local and long-distance impacts.

### **Corporate Governance**

Adopt a comprehensive process for managing a business with integrity which includes accountability, risk assessment and monitoring by directors and managers in the best interests of shareholders and taking due regard for the interests of other stakeholders.

### **Practical focus**

Develop practically oriented strategies, make use of standardised procedures and measurements and target a limited number of activities.

### **Efficiency**

Initiate processes to measure and improve operational efficiency.

### **Openness**

Apply honesty and transparency in operations, including measurement and interactions with all stakeholders and the community.

### **Effective communication**

Report on activities and progress, disseminate information in an appropriate manner and receive and assess feedback.

### **Participation**

Adopt a participatory approach to operations and evaluations.

### **Ongoing assessment**

Continually assess progress towards objectives, and re-evaluate strategies in the light of these evaluations.

### **Institutional capacity**

Contribute to greater understanding and capacity of sustainable development and the role of energy utilities.

## Further Reading

ASX Corporate Governance Council, Principles of Good Corporate Governance and Best Practice Recommendations, March 2003

Australian Government, Department of Environment and Heritage, Triple Bottom Line Reporting in Australia - A Guide to Reporting against Environmental Indicators, June 2003

ENERGEX, Towards Leadership Code, 2002

**esaa**, Code of Environmental Practice (1997, revised in 2001)

**esaa**, Environmental Performance Indicator Guidelines for the Australian Electricity Industry, February 2004

**esaa**, Triple Bottom Line Performance Indicators for the Australian Electricity Industry, February 2003

Global Reporting Initiative (GRI), Sustainability Reporting Guidelines, 2002

International Council of Mining and Metals, Sustainable Development Framework, 2003

International Hydropower Association, Sustainability Guidelines, February 2004

OECD Principles of Corporate Governance, draft revised text, January 2004

Standards Australia, AS/NZS ISO 14000 series, Environmental Management

Standards Australia, AS 8000 series, Corporate Governance

World Business Council for Sustainable Development, Sustainability in the Electricity Sector, 2002

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