SMEC Holdings Limited
Sustainability Report

2011
2012

This is SMEC's second annual Sustainability Report. The report covers SMEC's economic, environmental and social performance from 1 April 2011 to 31 March 2012.

The information in this report pertains to SMEC's Australian operations and does not include SMEC's international operations, international subsidiaries, joint ventures or any other controlled entities.

SMEC's Corporate Social Responsibility (CSR) policies and procedures have recently been approved and are being implemented in Australia only. SMEC's plan is to expand and strengthen its CSR program throughout Australia, before implementing it across the Company's international operations.

SMEC has applied the Global Reporting Initiative (GRI) G3.1 guidelines to a self-declared Level B. The GRI G3.1 guidelines are the world's most widely used sustainability reporting guidelines. By applying these guidelines, SMEC has ensured that this report is in line with global best practice.

The data in this report has been gathered using standard measurement techniques which conform to national or international guidelines or regulatory requirements. Specific calculations are referenced where appropriate. All monetary figures are in Australian dollars, unless otherwise stated.

For further information, please contact: sustainabilityreport@smec.com.

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Our Chief Executive Officer

SMEC undertook sustainability reporting for the first time last year. Since then, we have focused on integrating sustainable business practices throughout the Company.

As a signatory of the United Nations Global Compact (UNGC), SMEC is committed to supporting and promoting the UNGC's ten principles in the four areas of human rights, labour, the environment and anti-corruption. This year, SMEC continued to integrate the UNGC's ten principles in all business operations.

This Sustainability Report highlights SMEC's commitment to Corporate Social Responsibility (CSR) activities. I am pleased to report that over the last year, SMEC has strengthened its CSR activities, particularly within SMEC's Australian business. CSR activities within SMEC are structured under three broad categories: People; Community; and Sustainability and Environment.

SMEC's Australian business made progress in each of the three CSR category areas, whilst the most significant progress was made in the People area. At SMEC, we recognise that our people, and their skills, experience and energy, are the drivers of the Company's success.

I am pleased to report that SMEC's 2011 Employee Feedback Survey, highlighted many positives, our people: 'consider SMEC to be an attractive place to work'; 'appreciate and enjoy a substantial level of autonomy

and support from SMEC managers'; and 'feel that communication by managers and the Company has improved since 2009'. The Survey also highlighted areas for improvement, we are developing Action Plans to improve in these areas.

In this reporting period, our focus on employee health and safety proved to be successful with Lost Time Injury (LTI) frequency rates reduced by 50%, proactive reporting targets surpassed by 180% and no reported deaths or permanently disabling injuries.

We also strengthened our employee health and wellbeing program and developed a range of initiatives. These included the introduction of new flexible working arrangement policies; improved tertiary study allowances; and significantly better parental leave benefits, including an increase of 12 weeks paid parental leave (leave increased from six weeks to 18 weeks).

SMEC's focus on gender diversity continued this year with establishment of a Gender Diversity Steering Committee and an operational sub-committee WINS (Women In SMEC). A key outcome has been the development of a company-wide Gender Action Plan. This Plan includes a number of initiatives designed to raise awareness about gender diversity and increase the number of talented females in senior positions throughout the Company.

I am pleased to report that over the last year, SMEC has strengthened its Corporate Social Responsibility (CSR) activities, particularly within SMEC's Australian business. CSR activities within SMEC are structured under three broad categories: People; Community; and Sustainability and Environment.

SMEC's commitment to community development continued with SMEC delivering projects that improved living standards in some of the world's poorest communities. SMEC upheld all aspects of human rights including abolition of child labour, promotion of the rights of indigenous people and eradication of discrimination.

Through the SMEC Foundation, SMEC continued to provide small-scale grant support to community groups and development projects throughout Australia and internationally. In this reporting period, the SMEC Foundation donated over $90,000 to 16 projects in: Australia, Botswana, Ethiopia, India, Kenya, Lao PDR, Mongolia, Papua New Guinea, Tanzania and Zambia. This year, of funds allocated 51% were donated to Emergency Relief projects, followed by Education (29%), Community Development (10%) and Health (10%).

SMEC continued to provide integrated environmental services and invested in sustainable business practices to achieve long-term prosperity. SMEC commenced the data collection of electricity and paper usage across all Australian offices. Plans are in place to use this as baseline data to set measurable targets for the reduction of electricity and paper consumption.

Carbon offsetting continued throughout the reporting period, with Greenhouse Gas emissions generated through air travel and printing of annual documents offset by carbon credits invested in a range of renewable energy projects.

In the year ahead, SMEC will expand and strengthen its CSR program throughout Australia and work towards integrating sustainable business practices throughout the Company's international business. I fully support the implementation of SMEC's CSR program and look forward to the program gaining momentum.

Ross Hitt

Managing Director and Chief Executive Officer
SMEC Holdings Limited

Our Company

SMEC is a professional services firm with Australian origins and a global footprint that provides high-quality consultancy services for major infrastructure projects.

Our Divisions

North and South America

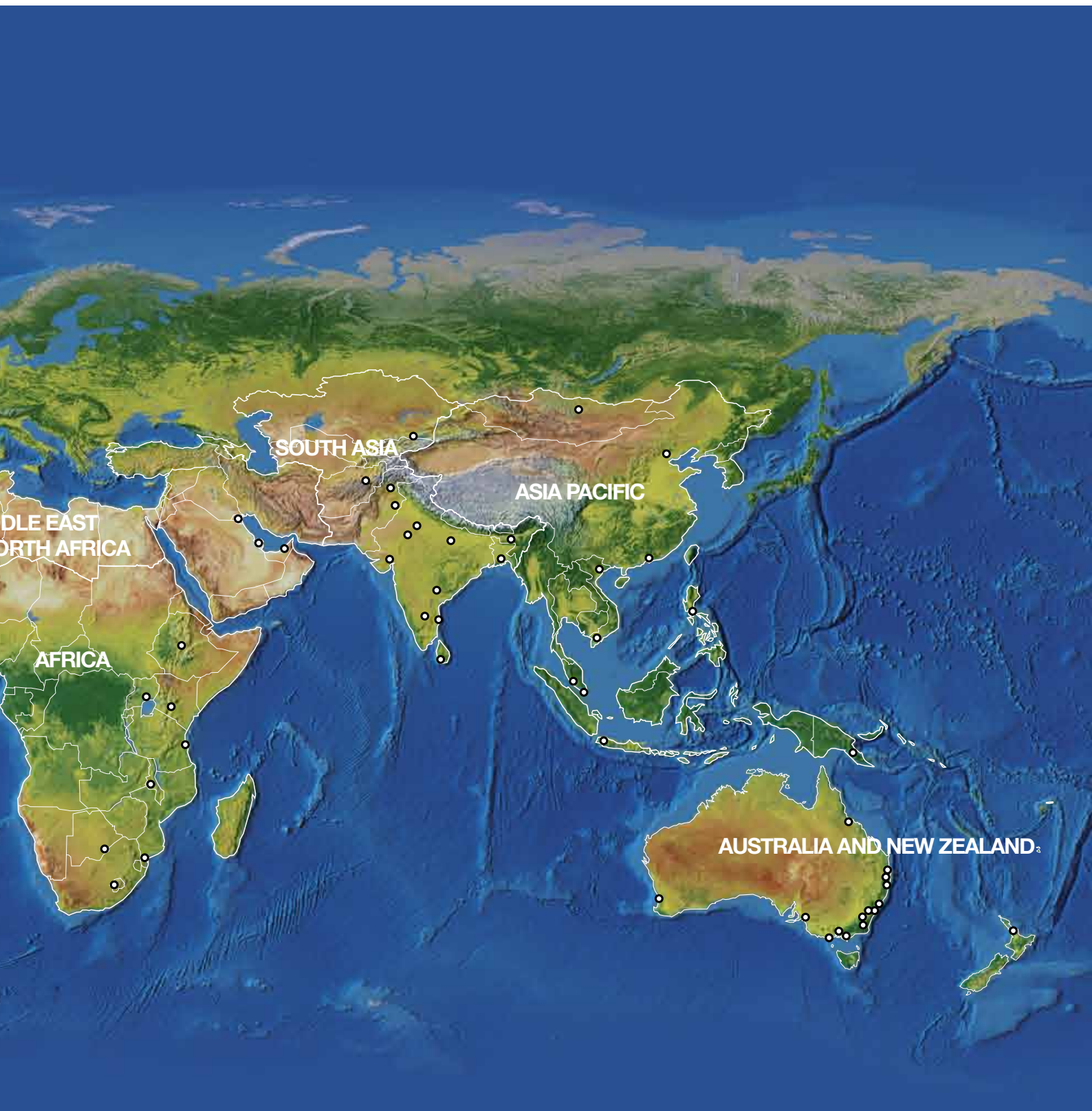- Established 2004
- 60 employees
- 4 offices

Middle East and North Africa

- Established 1995
- 55 employees
- 3 offices

Africa

- Established 1974
- 280 employees
- 9 offices

NORTH AMERICA

SOUTH AMERICA

MID
AND N

South Asia

- Established 1968
- 1,650 employees
- 14 offices

Asia Pacific

- Established 1962
- 400 employees
- 10 offices

Australia and New Zealand

- Established 1949
- 1,300 employees
- 17 offices

Our Corporate Governance

Company Structure

The SMEC Group operates through a number of companies under SMEC Holdings Ltd. SMEC's Australian and international operations are conducted through the operating companies of SMEC Australia Pty Ltd and SMEC International Pty Ltd, respectively. The SMEC Group also includes a number of subsidiaries, established or acquired to meet regional requirements and pursue specialised sector activities.

The Board of Directors

Although unlisted, SMEC's Board of Directors has adopted practices in line with the *Principles of Good Corporate Governance and Best Practice* set out by the Australian Stock Exchange (ASX) Corporate Governance Council. ASX Standards promote ethical decision making and transparency and ensure fair remuneration.

SMEC's Board (the Board) is responsible for formulating the strategic direction of SMEC. The Board acts on behalf of shareholders and is accountable for SMEC's financial, operational and ethical performance. The Board has a written charter which outlines the responsibilities of Board members and provides a governance framework which is in the best interests of shareholders.

SMEC's Board is currently composed of two Executive Directors and five Non-Executive Directors. The composition of the Board is determined using these principles: there must be a maximum of eight members, with a majority of independent Non-Executive Directors; the positions of Chair and Managing Director must be held by separate people; the Chair must be elected by the Board; Directors should have different backgrounds; and Directors (not including the Managing Director) will retire at the fourth Annual General Meeting following election and (if eligible) may stand for re-election.

Independence of Non-Executive Directors

An independent Director: is independent of management; is free of any relationships that could interfere with the exercise of independent judgement; and meets the criteria for independence in the ASX Standards. SMEC's Board has four independent Non-Executive Directors.

Board Committees

The Board has three permanent committees which provide direction on specific areas. Each committee has a written terms of reference and is subject to annual review by the Board. These committees are: the Audit and Risk Committee; the Remuneration Committee; the Nominations Committee; and the Executive Committee.

Audit and Risk Committee

The Audit and Risk Committee assists the Board with: financial reporting, accounting policies and internal control systems; identifying, assessing, monitoring and managing SMEC's material risks; and ensuring that financial information is provided to investors and the Board in an accurate and timely manner. The Audit and Risk Committee must have at least three members, consist only of Non-Executive Directors, have a majority of independent Directors and have an independent Chair, who is not the Chair of the Board.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee aims is to assist in establishing a Board with an effective composition, diversity, size and commitment to adequately discharge its duties and responsibilities to the Company, shareholders and other stakeholders.

The Committee also aims to ensure that SMEC: secures, motivates and retains a highly skilled and diverse group of directors and senior executives to ensure the long-term success of the Company and create value for shareholders; remunerates its directors and senior executives fairly and responsibly, having regard to the performance of the Company, the performance of the directors and senior executives and the general remuneration environment; and implements policies and practices that secure, motivate and retain a highly skilled and diverse group of employees at all levels of the Company.

The Remuneration and Nominations Committee must consist of at least three members, be comprised solely of Non-Executive Directors, have a majority of independent Directors and have an independent Chair.

Executive Committee

The Executive Committee monitors SMEC's operations and ensures that strategies and policies set by the Board are implemented. The Executive Committee is responsible for all matters not reserved for the other permanent Board Committees. The Executive Committee is responsible for the day-to-day management of SMEC and is chaired by the Managing Director and CEO.

Remuneration of Directors

Non-Executive Directors are paid annual fees, which in total fall within the fixed amount approved by shareholders (currently set at $1,000,000). During the 2010–2011 financial year, remuneration of Non-Executive Directors totalled $645,920. Non-Executive Directors are not eligible for SMEC's bonus or incentive schemes and only statutory retirement benefits are payable.

Code of Conduct

SMEC has a Code of Conduct which must be followed by all employees. The Code requires that all employees act with honesty, objectivity and in compliance with the law. SMEC's Code of Conduct encourages employees to report any unethical practices within SMEC and is regularly reviewed.

Company Charter

Vision: To be a global leader in high-quality solutions.

Mission: Partner in the economic development of nations by meeting the needs of clients and communities through professional excellence and innovation. Deliver returns to shareholders and rewarding careers to employees.

Values: The SMEC Spirit embodies pride and a 'can do' approach. The SMEC Spirit is at the core of the Company's culture and has bred a strong sense of identity which drives performance. A sense of the Company's proud traditions and the continuation of its pioneering spirit are key elements of the SMEC Spirit.

Risk Management

During this reporting period, SMEC's risk management systems and practices were a key priority. Improved processes for the identification of risks and better consultation in managing risks, has led to the implementation of (more) targeted risk management measures, and an overall improvement of SMEC's risk management systems. These measures have reduced the likelihood and potential impact of a number of significant risks. In addition, SMEC has focused on fostering a risk management culture. The adoption of this culture has led to greater awareness and improved communication of risks at all levels.

The Board, through the Audit and Risk Committee, is responsible for ensuring that there are adequate organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout SMEC.

Quality Management

SMEC is committed to implementing quality management principles on all projects and has developed a Quality Management System (QMS). SMEC's QMS complies with the requirements of ISO 9001:2008.

SMEC's QMS provides systematic control of business activities to ensure that client expectations are being met and, if possible, exceeded. SMEC's QMS includes processes for planning, documenting, managing and controlling everyday business needs and activities.

The QMS ensures compliance with relevant regulatory requirements and includes review processes to monitor and measure performance and identify improvements.

Effective implementation of the QMS has assisted in creating a culture at SMEC that is focused on the provision of high-quality services, technical excellence, innovative design and the management of environmental and social risks. These considerations are incorporated into SMEC's everyday business decisions.

Our Board

Peter Busbridge

Chairman
BE(Civil), AMP Harvard, MAICD

Peter joined SMEC in 1974 and has held the positions of Chief Executive Officer, Chief Operations Officer, Executive Director Australia, Manager New South Wales and Chief Engineer Highways and Transportation. In 2009, Peter was appointed Chairman of the Board. Peter holds a Bachelor of Engineering (Civil) from Melbourne University and completed the Advanced Management Program at Harvard University. Peter is a Fellow of the Institution of Engineers Australia and is a Member of the Australian Institute of Company Directors and the Road Engineering Association of Asia and Australasia (REAAA).

Ross Hitt

Managing Director and CEO
BE(Civil), GradDip(Management), MAICD

Ross joined SMEC in 1980. Ross was appointed Managing Director and Chief Executive Officer of SMEC in 2009, after serving as Managing Director International since 2005. Ross has more than 35 years experience in engineering, development and infrastructure projects in Australia and internationally. Ross holds a Bachelor of Engineering (Civil) from Monash University and a Postgraduate Diploma in Management from Deakin University. Ross is a Fellow of the Institution of Engineers Australia and a Member of the Australian Institute of Company Directors and the Australia India Business Council.

Roger Bayliss

Non-Executive Director
BSc, MRACI, FAICD

Roger was appointed to the Board in 2002. Roger is a Non-Executive Director of SMEC, Chairman of the Remuneration and Nominations Committee and a SMEC Foundation Board member. Roger's career has spanned 44 years and includes management and policy development, marketing, international trade and investment. Roger was a member of the executive management team at the Australian Trade Commission (Austrade). He is a Chartered Chemist, a Member of the Royal Australian Chemical Institute and a Fellow of the Australian Institute of Company Directors. Roger holds a Bachelor of Science from Sydney University.

Alastair McKendrick

Director and Group Finance Director
BBus(Acc), FCPA, MAICD

Alastair joined SMEC in 1999 as Financial Controller, was appointed Chief Financial Officer in 2000 and Group Finance Director in 2009. He was elected to the Board as an Executive Director in 2001. Alastair has over 30 years experience in the management of large organisations and consulting to small-to-medium sized organisations in Australia, Hong Kong, New Zealand and the United Kingdom. Alastair holds a Bachelor of Business (Accounting) from Monash University, is a Fellow of Certified Public Accountants Australia and a Member of the Australian Institute of Company Directors.

Bob Scott

Non-Executive Director
FCA, MAICD

Bob was appointed to SMEC's Board in 1996. He is a Non-Executive Director and Chairman of the Audit and Risk Committee. Bob was Chairman of the Board from 2001 to 2009. Prior to joining SMEC, he was a partner of Coopers & Lybrand (now PricewaterhouseCoopers) for 23 years. Bob served as Non-Executive Director of McConnell Dowell Ltd (a publicly listed company) from 1996 to 2001. He has a long association with the engineering and property industries. Bob is a Chartered Accountant, a Fellow of the Institute of Chartered Accountants Australia and a Member of the Institute of Chartered Accountants of Scotland.

Kate Spargo

Non-Executive Director
BA, LLB(Hons), FAICD

Kate is a Non-Executive Director of SMEC who was appointed to the Board in 2010. Kate is currently a Non-Executive Director on the Boards of UGL Ltd, Sonic Healthcare Ltd, Fletcher Building Ltd, Pacific Hydro Pty Ltd, Investec Bank (Australia) Ltd, Accounting Professional and Ethical Standards Board, International Ethics Standards Board for Accountants, Colnvest Ltd and Suncorp Portfolio Services Ltd. Kate holds a Bachelor of Law (Honours) and a Bachelor of Arts from Adelaide University. Kate is a Fellow of the Australian Institute of Company Directors.

Max Findlay

Non-Executive Director
BEc, FAICD

Max was appointed Non-Executive Director of SMEC in 2010. Max was the Managing Director of Programmed Maintenance Services for 18 years until his retirement in 2008. Max serves on the Boards of several organisations including the Royal Children's Hospital and Skilled Group Ltd (a publicly listed company). Max is Chairman of the Board of EVZ Ltd and Redflex Holdings Ltd. Max holds a Bachelor of Economics (Politics) from Monash University and a postgraduate qualification in Accounting from Swinburne University. Max is a Fellow of the Australian Institute of Company Directors.

Our Executive Committee

Ross Hitt

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Neil Evans

Director Strategy and Business Development
BSc(Eng), AMP Harvard

Neil joined SMEC in 1993 and was appointed Director Strategy and Business Development in 2009. Previously, Neil was Managing Director Australia, and led strategic acquisitions, business planning and delivery of large infrastructure projects. Neil has 40 years experience and has been a member of project boards and review groups for major infrastructure projects within Australia and internationally. Neil holds a Bachelor of Science (Civil Engineering) from the University of New South Wales and has completed the Harvard Business School Advanced Management Program.

Barry Norman

Managing Director International
GradDip(Civil), EWS(Vic), FIEAust

Barry joined SMEC in 2006 and is Managing Director International. Barry provides leadership in business planning, acquisitions and international concession projects. Prior to his appointment as Managing Director International, Barry held the position of Regional Director Southern (Australia), where he was responsible for expanding SMEC's Victorian and South Australian operations. Barry has over 40 years engineering experience, holds a Diploma in Civil Engineering from Deakin University and is a life member (and past National President) of the Australian Water Association.

Hari Poologasundram

Managing Director Australia
BSc(Hons), MSc, CPEng, MIEAust, MICE, MIHT

Hari joined SMEC in 1994 and was appointed Managing Director Australia in 2009. Hari has been a member of the SMEC Australia Board since 2004. Hari has over 24 years experience in planning, design and management of infrastructure projects using traditional Design and Construct, Alliance and Public Private Partnership methods. He has led successful Alliance teams and delivered several Pacific Highway upgrade projects. Hari holds a Bachelor of Science (Civil Engineering) and a Master of Science (Civil Engineering) from City University, London.

Manoli Loukas

Acting Chief Operating Officer Asia Pacific
GradDip(Business), MBA

Manoli joined SMEC in 2005 and was appointed Acting Chief Operating Officer Asia Pacific in 2011. Prior to this appointment, Manoli held the positions of Regional Director Asia Pacific and Regional Manager India. Manoli is an accomplished senior executive with a strong background in operations management and strategy development. Manoli has over 25 years experience in the engineering industry in both the public and private sectors. Manoli holds a Master of Business Administration from Swinburne University.

Siddique A. Jafar

Acting Chief Operating Officer South Asia
BE(Civil), MIEB

Siddique joined SMEC in 1992 and was appointed Acting Chief Operating Officer South Asia in 2010. He has over 35 years experience in structural design, construction supervision, quality control and project monitoring for large-scale projects. He manages the operation and direction of SMEC in Bangladesh, India, Pakistan, Sri Lanka and the Central Asian Republics. Siddique has been instrumental in transforming local subsidiaries into successful commercial ventures. Siddique holds a Bachelor of Engineering (Civil) from Bangladesh University of Engineering and Technology.

Irek Stawiczny

CEO GMC Global
BE(Mechanical)

Irek is the founder of GMC Global. He is a qualified engineer with 17 years mining industry experience, working in multiple technical and leadership roles. Over the last 10 years, Irek has been involved in a number of large-scale maintenance management improvement programs, and global enterprise resource planning projects, focused on delivering business value. Irek joined SMEC's Executive Committee in 2012, when GMC Global became part of the SMEC Group. Irek holds a Bachelor of Mechanical Engineering from the Central Queensland University.

Angus Macpherson

Director Corporate Affairs
BE(Civil), CPEng, MIEAust

Angus joined SMEC in 1993. He was appointed Director Corporate Affairs in 2010. Angus has over 15 years experience in managing design teams and in the development and implementation of business management systems. Angus has experience in a wide range of infrastructure projects for both the public and private sectors. Angus has expertise in scope control, risk analysis, financial management, design review and the management of specialist technical input. Angus holds a Bachelor of Engineering (Civil) from the University of Technology, Sydney.

Our Stakeholders

Stakeholder Engagement

SMEC's stakeholders are individuals and groups impacted by the Company's activities or those who can impact SMEC's development. SMEC aims to stay informed of sensitive issues through effective and regular communication with its stakeholders. SMEC has in place policies and procedures to identify and manage issues that may impact stakeholders as well as record significant stakeholder communications. SMEC's approach to stakeholder engagement is modified to align with each stakeholder's area of interest.

SMEC's proactive approach to stakeholder engagement represents the Company's ongoing commitment to working effectively with its stakeholders, learning from past stakeholder engagement experiences and continuing to improve performance. SMEC's three major stakeholder groups are employees, clients and shareholders.

Employees

SMEC encourages two-way communication with employees to promote mutual understanding and alignment of Company and individual objectives. To enhance two-way communication, SMEC undertook an Employee Feedback Survey in 2011. The objectives of the survey were to: understand employee satisfaction levels; measure SMEC's progress in pre-determined areas; compare SMEC's performance to industry benchmarks; and develop new employee programs aligned to the Company's Strategic Plan. The results of the survey are outlined on page 22 of this report.

SMEC's Staff Consultative Committee (SCC) is another mechanism that facilitates two-way communication between SMEC employees and management. The SCC provides a link to and from the Executive Committee for employees to raise concerns or make suggestions. The SCC may take on briefs from the Executive Committee or the Human Resources department to investigate, report or communicate issues of interest to employees. The SCC is a recognised SMEC Committee, comprising a group of continuing employees partly nominated by management and partly elected by employees.

Clients

SMEC is committed to continuous improvement in client service standards. To this end, SMEC actively solicits regular client feedback. SMEC has in place Client Relationship Management (CRM) policies and procedures as well as an online CRM system (which is currently only in use in Australia). These tools help SMEC manage client relationships in an organised and structured manner. SMEC's CRM system assists SMEC to better services the needs of clients.

SMEC's CRM policies include a specific project closure procedure to ensure that the highest quality project outcomes have been delivered to the satisfaction of the client. During the project closure process, the Project Manager must: obtain written confirmation from the client that the project services are complete; obtain (where the client is willing) an attestation of SMEC's services from the client; and request that the client provide feedback on SMEC's performance using SMEC's Project Service Questionnaire which includes topics such as quality of service, quality of technical work and value for money.

SMEC is in the process of developing and implementing a new company-wide client feedback tool (and associated policies and procedures) which will be linked to SMEC's CRM system.

These soon to be released policies and procedures will formalise SMEC's approach to client feedback and encourage all SMEC employees to actively seek more regular client feedback, where possible, face-to-face. Client feedback will be sought at various phases including: throughout projects; at project closure; and general feedback unrelated to a specific project.

SMEC's new client feedback system will capture and analyse client feedback to enable SMEC to continue to provide excellent service and stay ahead of competitors.

Shareholders

SMEC has a policy of continuous disclosure and communication to shareholders. The Company Secretary is the appointed Officer responsible for communications with the Australian Securities and Investments Commission. This Officer is also responsible for ensuring compliance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Board aims to ensure that the shareholders are fully informed of all material information relating to the Company. Communication with shareholders is undertaken through: the annual report and half-yearly reports; the Annual General Meeting; media releases and other publications included on SMEC's website (www.smec.com); and periodic mail outs.

Stakeholder Communication

SMEC uses a variety of communication methods, tailored to each specific stakeholder group:

Employees:

- CEO email announcements
- Senior management email announcements
- Staff Consultative Committee
- Monthly internal electronic newsletter (SMEC News)
- Intranet announcements
- Corporate events
- Corporate communications (publications)
- Website (www.smec.com)

Clients, Suppliers and Contractors:

- Regular progress meetings and reports
- Post-project client satisfaction surveys
- Membership of key industry association committees
- Attendance and sponsorship of industry events
- Corporate events
- Corporate communications (publications)
- Website (www.smec.com)

Partner Firms:

- Membership of key industry association committees
- Attendance and sponsorship of industry events
- Corporate communications (publications)
- Website (www.smec.com)

Shareholders:

- Board and Committee meetings
- Company announcements
- Annual General Meeting
- Corporate communications (publications)
- Website (www.smec.com)

Government Authorities:

- Regular meetings
- Written submissions
- Membership of key industry association committees
- Corporate communications (publications)
- Website (www.smec.com)

Industry Bodies:

- Participation on key industry association committees
- Attendance at industry functions
- Sponsorship of industry events
- Corporate communications (publications)
- Website (www.smec.com)

Banks and Financiers:

- Health and safety and sustainability reporting
- Financial reporting via a third party company (auditor)
- Corporate communications (publications)
- Website (www.smec.com)

Media:

- Media releases
- Corporate communications (publications)
- Website (www.smec.com)

Our Performance

Industry Awards

SMEC is consistently ranked amongst the world's top engineering design firms and wins industry awards for design innovation and the management of environmental and social risks. In 2011, Engineering News-Record's (ENR) annual list of top design firms ranked SMEC at number 67 in the 'Top 200 International Design Firms' and number 87 in the 'Top 150 Global Design Firms'.

Alliance Contracting

- Excellence in Major and Capital Projects Award: Wyaralong Dam

Australian Institute of Project Management (Queensland)

- Engineering Project over $1 million: Wyaralong Dam

Concrete Institute of Australia (Queensland)

- Award for Excellence: Gateway Upgrade Project (pictured above)

Consult Australia Awards for Excellence

- Gold Award (Transport and Civil Infrastructure): Gateway Upgrade Project
- Gold Award (Water): Dandenong Valley Wetlands
- Gold Award (Planning and Urban Development): Woodland Waters
- Gold Award (Specialist Services): Ipswich Motorway Upgrade (Dinmore to Goodna) Mine Fill Project

Engineers Australia (Sydney)

- Environment and Heritage and President's Award: Nepean Environmental Flows Project (Portion B)

Infrastructure Partnerships Australia

- Project of the Year Award: Gateway Upgrade Project

Safe Work Australia Awards

- Best Workplace Safety System Award: Ballina Bypass

Urban Development Institute of Australia (Victoria)

- Excellence Award for Residential Development (over 250 lots) and Judges Landscape Award: Woodland Waters

Industry Memberships

- Association of Consulting Engineers Malaysia
- Association of Consulting Surveyors (Victoria Division)
- Association of Land Development Engineers
- Australian Chamber of Commerce in Hong Kong
- Australian Green Infrastructure Council
- Australian National Committee on Large Dams (ANCOLD)
- Australian Water Association (AWA)
- British Chamber of Commerce in Hong Kong
- Board of Engineers Malaysia
- CIGRE (International Conference on Large High Voltage Electric Power Systems)
- Consult Australia
- Engineers Registration Board Tanzania
- International Road Federation
- Pakistan Engineering Council
- Property Council of Australia (South Australia Division)
- Property Council of Australia (Victoria Division)
- Roads Australia
- Urban Development Institute of Australia (Queensland Division)
- Urban Development Institute of Australia (Victoria Division)
- Water Industry Alliance
- Women's Planning Network

Economic Performance

SMEC's strategic policies ensure economic performance, sustained long-term growth and positive returns for all stakeholders. During the reporting period (1 April 2011 to 31 March 2012), revenue in Australia increased by 17% to $204.3 million. SMEC's net operating profit after tax in Australia increased by 34% to $11.6 million.

SMEC's operating costs increased by 33% to $58.3 million, with employee compensation increasing by 13% to $129.2 million. These cost increases are attributed, in part, to the acquisition of businesses and the establishment of new offices. The generation and distribution of SMEC's economic value is displayed in Figure 1.

Government Financial Assistance

The Australian Government offers a Research and Development (R&D) Tax Concession for activities which are innovative or have high levels of technical risk. As of 1 July 2011, the R&D Tax Concession program provided a 40% tax offset; 10 cents on every R&D dollar spent. During the reporting period, SMEC spent $3,080,276 on R&D activities and received $288,775 as a cashback benefit (as displayed in Figure 2). This is a 61% decrease in expenditure on R&D activities as compared to the last reporting period. Many of SMEC's eligible R&D projects either scaled down or were completed in 2011. In addition, many of SMEC's new projects were undertaken via Alliancing which is ineligible for R&D Tax Concessions.

Figure 1: Economic Value Generated and Distributed in Australia (all figures are in $'000)

Generated	VIC & SA	NSW & ACT	QLD & NT	AUSTRALIA
Revenue	$62,098	$82,158	$60,078	$204,334
Donations and Community Investments	-	-	-	-
Net Operating Profit After Tax	N/A	N/A	N/A	$11,692
Distributed	**VIC & SA**	**NSW & ACT**	**QLD & NT**	**AUSTRALIA**
Operating Costs	$17,720	$23,445	$17,144	($58,309)
Employee Compensation	$39,294	$51,987	$38,016	($129,297)
Payments to Providers of Capital - Dividend	N/A	N/A	N/A	($3,213)
Government (Tax)	N/A	N/A	N/A	($10,464)
TOTAL				**($201,283)**

Figure 2: Financial Assistance Received from the Australian Government

	Claimed in 2011 Tax Deduction at 125% (1/4/11–30/6/11)	Claimed in 2011 ITR Tax Deduction at 150% (1/4/11–30/6/11)	Estimate Claim Tax Offset at 40% (1/7/11–31/3/12)	TOTAL (1/4/11–31/3/12)
R&D Expenditure	$770,069	-	$2,310,207	$3,080,276
Before Tax Cash Benefit	$192,517	-	$770,069	$962,586
After Tax Cash Benefit	$57,755	-	$231,020	$288,775

Our Sustainability Strategy

SMEC's Corporate Social
Responsibility activities
are structured under three
broad focus areas: People;
Community; and Environment
and Sustainability.

People

Employee Demographics

As a consulting organisation, SMEC believes its people are its most important asset. SMEC employees are critical to the Company's continued success and sustained growth. SMEC invests in strategies to attract, retain and develop skilled and enthusiastic employees.

SMEC is committed to achieving equal opportunities for all employees in the workplace and ensuring that the workplace is free from discrimination and harassment. SMEC has implemented workplace policies, practices and behaviours that are fair and do not disadvantage employees on the basis of gender, age, ethnicity, religion or any other indicators of diversity.

SMEC aims to enhance employee career progression through professional development and career planning. SMEC also has in place a variety of programs that assist employee wellbeing and work-life balance.

At the close of the reporting period, SMEC had a total of 1,291 employees across Australia (as displayed in Figure 3). This is an 8% increase on total employees from the previous reporting period. This increase can be attributed, in part, to the opening of new offices in the Sunshine Coast and Newcastle, and the acquisition of Lean and Hayward (an urban development consultancy firm) and GMC Global (a consulting services provider to the resources industry).

The majority of SMEC employees (84.5%) are contracted on a full-time basis, 10% are casual, 3.5% are part-time and 1.5% are fixed-term employees. New South Wales and the Australian Capital Territory are home to the majority of employees (42%), followed by Victoria and South Australia (32%), then Queensland and the Northern Territory (25%).

Turnover

The average turnover of all Australian employees in 2011 was 26%; for permanent employees only, it was 15%. The demographic profile of this turnover is consistent with the cultural and legislative environment in which SMEC operates. A breakdown of employee turnover in 2011 by gender and age group is displayed in Figure 4.

Analysis of employee turnover indicated that the primary declared reason for resignation was a lack of career development, followed by dissatisfaction with salary. SMEC is developing Action Plans to improve these areas.

During the reporting period, SMEC updated the exit interview process, amended cessation forms, ensured that position descriptions of all Human Resources Managers include exit interviews as a responsibility and investigated automation of the exit interview process.

Employee Feedback Survey

SMEC conducted an Employee Feedback Survey (the Survey) in 2011. The objectives of the Survey were to: gain insight into employee satisfaction levels; measure SMEC's progress since the 2009 survey; compare SMEC's performance to industry benchmarks; and develop new employee programs aligned to SMEC's Strategic Plan.

In Australia, 1,230 employees received the Survey, whilst 927 employees responded, representing a 75% participation rate. This is the highest participation rate in a SMEC employee survey by Australian employees. In 2009, there was a 56% response rate in Australia.

The Survey found that 72% of SMEC's Australian-based employees were satisfied with their job (as displayed in Figure 5). Employees felt that:

- SMEC's working environment is very open and accepting of individual differences
- They have an appropriate level of autonomy to make decisions and take action in their day-to-day work
- SMEC is an attractive place to work

The report also highlighted areas for improvement:

- Sharing of information across sectors and offices
- The way in which change is managed
- Professional development and career opportunities

SMEC is developing Action Plans to improve these areas.

Cultural Diversity

Diversity is a source of strength for SMEC's clients, partners and the communities in which SMEC operates.

SMEC's employees come from a variety of ethnic backgrounds. According to the 2011 Employee Feedback Survey, the majority of SMEC employees were born in Australia followed by the United Kingdom, New Zealand and China. In Australia, an average of 41% of employees speak languages other English.

SMEC's Diversity Policy states that valuing and managing diversity means that SMEC will aim to:

- Create an inclusive workplace culture
- Facilitate equal employment opportunities based on relative ability, performance and potential
- Help build a safe working environment by taking action against inappropriate behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification
- Review succession plans to ensure an appropriate focus on diversity
- Identify specific factors during the recruitment and selection process to encourage employee diversity
- Develop flexible work practices to meet the differing needs of employees and assist them to balance their work and family commitments
- Ensure that all employees have access to benefits and services in an equitable manner
- Consult stakeholders to ensure positive outcomes
- Attract and retain a skilled and diverse workforce
- Enhance market reputation through a workforce that reflects the diversity of the community it services

Figure 3: Employee Numbers in Australia

Region	Full Time	Part Time	Casual	Fixed Term	TOTAL
VIC & SA	343	15	46	6	**410**
NSW & ACT	475	19	48	10	**552**
QLD & NT	275	12	38	4	**329**
AUSTRALIA	**1,093**	**46**	**132**	**20**	**1,291**

Figure 4: Employee Turnover by Gender and Age
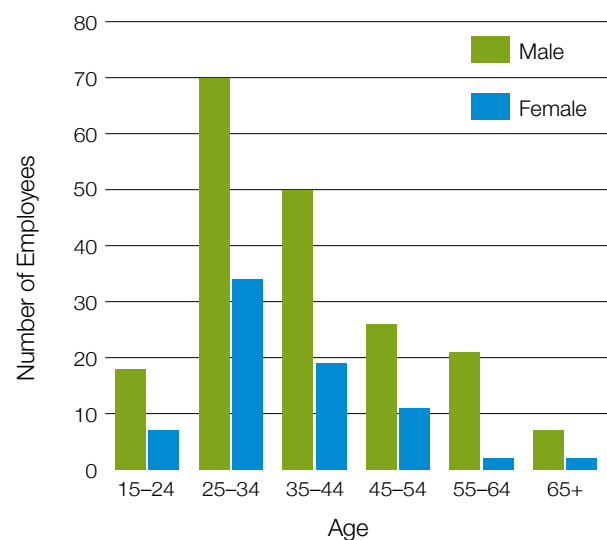
Figure 5: Overall Employee Job Satisfaction

	%
Very Satisfied	13
Satisfied	59
Dissatisfied	7
Very Dissatisfied	1
Undecided	20
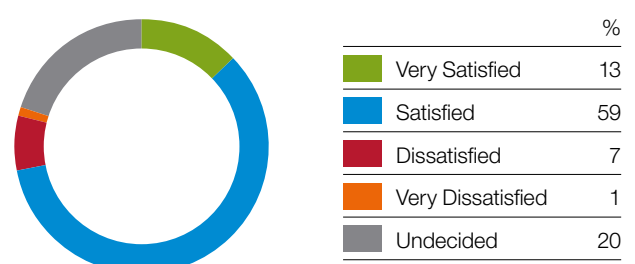
People (continued)

Gender Diversity

SMEC is committed to promoting gender diversity and understands that achieving a gender balance throughout the Company is a business imperative. During this reporting period, 30.6% of all new employees and 19.5% of graduate employees who joined SMEC in Australia were female. A total of 25% of all SMEC employees were female; there has been no change in this figure since the last reporting period.

These figures are significantly higher than the industry standard. According to Engineers Australia, 14% of Australian engineers are female and 16.3% of Australian graduate engineers are female.

The majority of SMEC's female employees are aged between 25 and 34. A breakdown of SMEC's employees by gender and age group is displayed in Figure 6. SMEC classifies employees into three employment types:

■ Professional: degree qualified employees including engineers, scientists and corporate services

■ Technical: employees who are not degree qualified but have technical skills

■ Administration: employees in administrative roles including executive assistants and receptionists

A breakdown of SMEC's employees by gender and employment type is displayed in Figure 7; the majority of SMEC's female employees are classified as Professional (54%), followed by Administration (34%), then Technical (12%).

Gender Diversity Steering Committee

SMEC is committed to increasing the number of females in senior positions. To address this issue, a Gender Diversity Steering Committee, chaired by SMEC's Chief Executive Officer was established in 2011. The role of the Committee is to monitor the implementation of SMEC's Gender Action Plan to ensure that SMEC achieves its gender diversity objectives.

Women In SMEC (WINS)

In 2011, WINS (Women In SMEC) was established to help increase the level of participation of women in leadership in SMEC. WINS is comprised of employees from each of the major Australian offices. Activities undertaken by WINS include:

■ Identifying strategies that address career issues

■ Identifying external networking opportunities

■ Raising awareness about gender diversity

■ Facilitating internal networking and knowledge sharing

■ Identifying strategies to enhance personal and professional development

Gender Diversity Awareness

SMEC understands that one of the difficulties in achieving a gender balance is the lack of awareness around gender issues. As such, SMEC undertook a number of activities during the reporting period designed to increase employee gender diversity awareness.

A SMEC intranet site, 'Diversity' was launched in 2011. The site includes: SMEC's diversity statement; a calendar of events; links to diversity policies; a discussion board; information about WINS; and a copy of SMEC's annual Equal Opportunity for Women in the Workplace Agency (EOWA) report.

SMEC celebrated International Women's Day (IWD) on 8 March 2012. IWD recognises the economic, political and social achievements of women. IWD events were twofold; to celebrate IWD and to raise awareness of the gender diversity challenges that exist. IWD events were held in most Australian offices and certain international offices.

SMEC submits an annual report to the EOWA. The EOWA is a statutory authority within the Australian Commonwealth Department of Employment and Workplace Relations. SMEC achieved compliance with the *Equal Opportunity for Women in the Workplace Act 1999* for the 2010–2011 financial year.

Remuneration

SMEC endeavours to ensure employees receive competitive salaries, taking into consideration market conditions as well as an individual's performance, education and experience. To ensure SMEC employee salaries are in line with the market, SMEC conducts annual salary reviews and compares these to analysis of industry benchmarks. SMEC's minimum wage levels exceed legal requirements and employment contracts conform to the relevant industrial requirements.

During this reporting period, the average male entry level salary was $64,315 and the average female entry level salary was $64,215. This is a significant improvement on the last reporting period, whereby males received an average of $6,000 more per annum than females.

The average overall male salary was $108,393 and the average overall female salary was $73,212. The largest salary difference between males and females was in the professional band of employees; on average males were paid $105,596 while females were paid $76,520.

SMEC recognises that male employees are, on average, currently being paid higher salaries than their female counterparts. This difference may be attributed to the type of roles that female and male employees occupy within SMEC as there is a much higher representation of females in lower paying administration roles.

Figure 6: Employees by Gender and Age
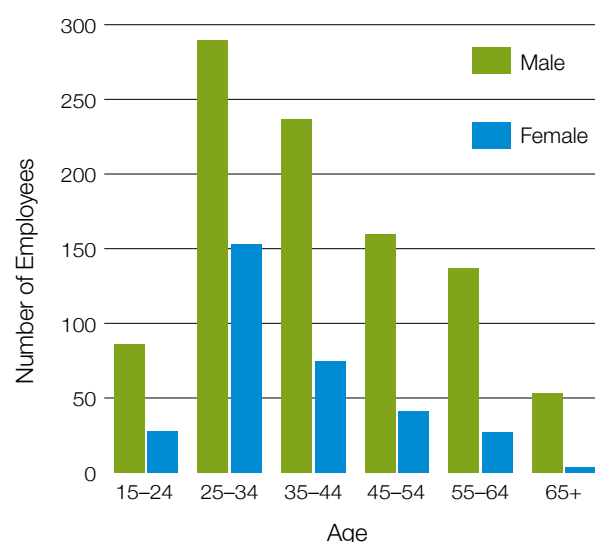
Figure 7: Employees by Gender and Employment Type
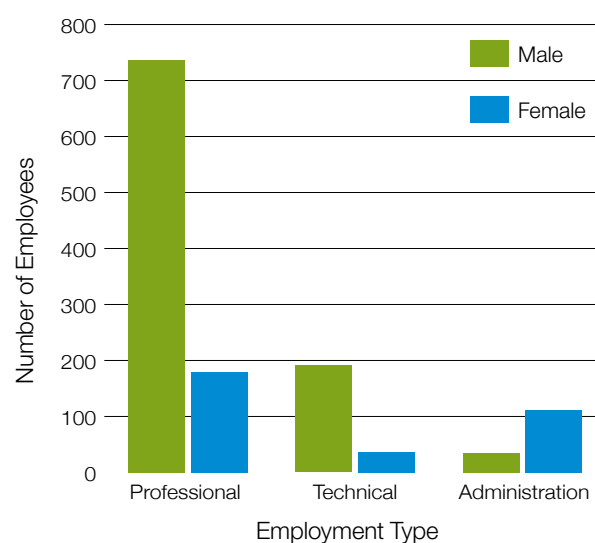
People (continued)

Career Development

SMEC understands that career development can help employees have a stronger sense of purpose, achieve greater fulfilment and have higher levels of satisfaction. SMEC seeks to attain the highest possible standards in the management and training of employees and is committed to employee development. SMEC develops the skills and expertise of employees and broadens the experience of employees through a range of initiatives.

Professional Development Program

SMEC maintains an active Professional Development Program (PDP). The PDP is administered internally and developed in association with Engineers Australia's structured education and training program. The PDP assists both graduates and emerging professionals with career planning. During the reporting period, there were 43 employees registered in the PDP; 83% were graduates and 23% were female employees.

Some Australian offices have Young Professional Groups. These groups assist graduate employees to obtain professional association qualifications and give graduates the opportunity to improve member representation within the Company.

Performance Appraisals

SMEC conducts annual performance appraisals for all employees using CareerTrac, an in-house performance and development appraisal system. The CareerTrac process allows employees and their manager to: discuss achievements; discuss issues and challenges and agree actions to resolve these; identify learning and development needs; and develop a performance and development plan. At the time of this report, completion rate data was not yet available for the 2012 performance appraisal process; the timing of the cycle was changed to conclude in May (previously April).

Career Recognition

SMEC recognises the outstanding contribution made by employees throughout the Company for technical excellence and project management, as well as contributions to the wider engineering industry. SMEC launched a Career Recognition procedure during the reporting period to formalise this process. Each year, employees who achieve a career milestone of between five and 40 years (at five year intervals) are acknowledged for their commitment to the Company.

Annually, SMEC recognises the contributions of employees through the SMEC Awards. Three award categories are presented: the Project of the Year Award; the SMEC Medal; and the Young Professional of the Year Award.

Training

SMEC offers employees training in technical and management areas as required. During the reporting period, the average hours of training per employee in Victoria and South Australia was 21 hours. In New South Wales and the Australian Capital Territory it was 25 hours. Training data for Queensland and the Northern Territory was not available. SMEC will introduce reporting systems for training within the next year to capture detailed data.

SMEC has increased its investment in training for the year ahead as part of SMEC's Career Development Framework and Succession Planning Program. The objective of the Career Development Framework is to provide employees with clear career paths within SMEC's global business. The Framework emphasises SMEC's commitment to employees, by providing a workplace with targeted learning and development programs and an equitable reward and recognition framework.

A Succession Planning Program is currently being developed. This program is designed for employees two management levels below the Chief Executive Officer. The program includes a framework for objective, merit-based nomination and assessment of candidates. The program will be launched in 2012.

During the reporting period, SMEC developed and implemented a revised onboarding and induction process which included training, orientation and e-learning components for all Australian offices.

Skills Management

SMEC provides a range of in-house programs (as well as financial assistance for external training) which develop lifelong learning and support continued employability. Programs include time-management courses, training in Microsoft Office and retirement preparation workshops.

Employee Benefits

SMEC understands that performance, motivation, productivity and longevity of employees rely on the Company's ability to provide a positive, flexible and rewarding working environment. SMEC offers a range of benefits that contribute to the wellbeing of Australian employees. SMEC recognises that by providing a range of benefits and programs that this will improve the lifestyle of its valued employees, which is likely to positively affect job satisfaction.

Parental Leave

SMEC revised and significantly increased its parental leave entitlements during the reporting period. Employees who have been with SMEC for 12 months, and are the primary care giver, can apply for 52 weeks of unpaid parental leave and are now entitled to 18 weeks paid leave on a full-time basis (comprised of the statutory paid leave and topped up to the normal salary level by SMEC). During the last reporting period, the entitlement was only six weeks paid leave. Employees who are the secondary care giver can apply for five business days at the time of the birth. During this reporting period, 29 employees utilised SMEC's parental leave benefits; 93% were female employees and 7% were male employees.

Flexible Working Arrangements

SMEC is committed to helping employees achieve greater work-life balance. In 2011, SMEC introduced a Flexible Working Arrangement procedure which includes options to vary hours of work, part-time working arrangements, job sharing, working from home and gradual re-entry and exit arrangements. SMEC has made available a range of toolkits and resources on the Company intranet to assist employees to establish flexible working arrangements. During the reporting period, 21 employees utilised SMEC's flexible working arrangements; 76% were female. The majority of employees who used SMEC's flexible working arrangements either reduced their employment from full-time to part-time hours or worked from home.

Tertiary Education Assistance

SMEC provides Tertiary Education Assistance to any continuing employee who has been employed by the Company for a minimum of 12 months. SMEC provides up to 50% of course fees, capped at $10,000 per annum, and study leave for the purpose of exams or assignment preparation. In April 2011, SMEC doubled the amount of assistance available to employees. During the reporting period, six employees accessed this assistance.

Employee Assistance Program

SMEC's Employee Assistance Program (EAP) program is provided by Davidson Trahaire. SMEC's EAP aims to improve the wellbeing of employees and their immediate dependents whose lives and work performance may be affected by personal or work-related problems. Through the EAP, employees can access short-term confidential counselling, online counselling and MoneyAssist (financial advice). SMEC's EAP includes a Manager Assistance Program which deals with difficult people-management situations. In 2011, 11 managers used the Manager Assistance Program and 36 employees used the EAP.

Corporate Health Plan

SMEC offers all employees a corporate health plan through BUPA (formerly HBA, MBF and Mutual Community). The benefits include discounted insurance rates and waived waiting periods. At the time of this report, 109 SMEC employees were BUPA members.

People (continued)

Health and Safety Principles

SMEC is committed to promoting and maintaining a culture and working environment in which risk to health and safety is unacceptable. To meet this commitment, SMEC (as far as is reasonably practicable) provides healthy and safe working conditions for all people associated with the Company including employees, contractors, visitors and the general public.

In order to meet these responsibilities, SMEC:

■ Develops safety awareness throughout the Company through initial and ongoing education and training

■ Takes all practicable steps to eliminate hazards within the workplace through risk identification, assessment, control, reporting and monitoring

■ Sets business specific standards of health and safety for all employees to follow

■ Ensures all managers, supervisors and employees are aware of and accept their responsibility to provide a safe work environment

■ Strives to continuously improve health and safety management by setting objectives, plans and performance measures and by regularly reviewing progress against targets

■ Ensures all incidents are accurately reported, recorded and root causes identified

■ Assists employees to achieve full recovery through prompt treatment and active rehabilitation

Health and Safety Performance

In 2011, SMEC changed the way its health and safety hazards were recorded by implementing an online system. SMEC set an initial target of 20 recorded 'proactive alerts' using this new system. Proactive alerts involve routine, planned testing, inspection and identification of possible hazards before an incident occurs. SMEC surpassed its target in 2011, with a total of 56 proactive alerts recorded. SMEC has set the target for 2012 at 48 proactive alerts. Proactive reporting accounted for 46% of all health safety reporting in 2011, followed by reactive reporting (32%) and injury reporting (22%).

SMEC had a total of 120 reported incidents in 2011. This is more than double the number of reported incidents in the last reporting period. This is a positive sign that the implementation of SMEC's online health and safety system is improving the way in which hazards are recorded. There is now a much greater focus on proactive reporting which (over time) should reduce the number of injuries reported.

'Near Misses' accounted for 33% of all reported incidents in 2011, followed by External Events (17%) and Drills and Inspections (13%). Figures 8a and 8b display a breakdown of reported incidents by region and profession.

SMEC significantly reduced its Lost Time Injury (LTI) frequency rate per million hours worked in 2011. In 2010, SMEC's LTI frequency rate per million hours worked was, on average, 2.9 per month. In 2011, this was reduced by 50% to 1.45 per month.

Health and Safety Objectives for 2012

SMEC actively monitors and reviews Company performance in the area of health and safety to ensure all objectives are met. SMEC takes all reasonable steps to improve work safety conditions and strives to uphold the Company's core values of safety, knowledge, integrity and leadership in order to achieve the goal of zero harm. SMEC has set a number of targets for the year ahead.

Training

SMEC will create a training matrix for workplace health and safety training, specific to functional groups, field work and working overseas.

As a result of changes to health and safety laws in Australia, SMEC will implement a range of new workplace health and safety training initiatives in 2012 including:

■ A revised online training module

■ 'Safety in Design' briefing sessions for project and design managers

■ Bullying, sexual harassment and psychological injury prevention courses

- Briefing sessions for senior management outlining general duties under the new legislation
- Refresher courses for workplace health and safety representatives

Hazard Identification and Risk Assessment

In 2012, SMEC will increase its focus on hazard identification and risk assessment procedures including:

- Creation of Job Safety Analysis and Safe Work Method Statements for typical project types
- Progressive assessment of offices for 'Ready for Safety Certification'
- Provision of medical assessments for functional groups that are 'high-risk' (such as field staff) at the commencement of (and during) employment

Safety Audits

In conjunction with SMEC's increased focus on proactive health and safety reporting, safety auditing will be improved in 2012. Office Managers and Workplace Health and Safety Representatives will complete comprehensive workplace inspections. SMEC will also continue to undertake gap analysis against new codes and legislation as they become available.

Safety Committees and Communication

SMEC understands that to improve workplace health and safety, employee communication is vital. SMEC will improve health and safety communication between offices, regions and committees in 2012. Detailed reports will be delivered to all levels of management to raise awareness of hazards, incidents and proactive reporting.

Sub-Contractor and Sub-Consultant Management

SMEC will seek to ensure that sub-contractors and sub-consultants conform to high levels of workplace health and safety requirements. In 2012, SMEC will investigate an online system and database to record and keep up-to-date workplace health and safety documentation for all sub-contractors and sub-consultants including WorkCover Certificates of Currency as well as Public Indemnity and Public Liability insurance certificates.

Figure 8a: Reported Incidents by Profession
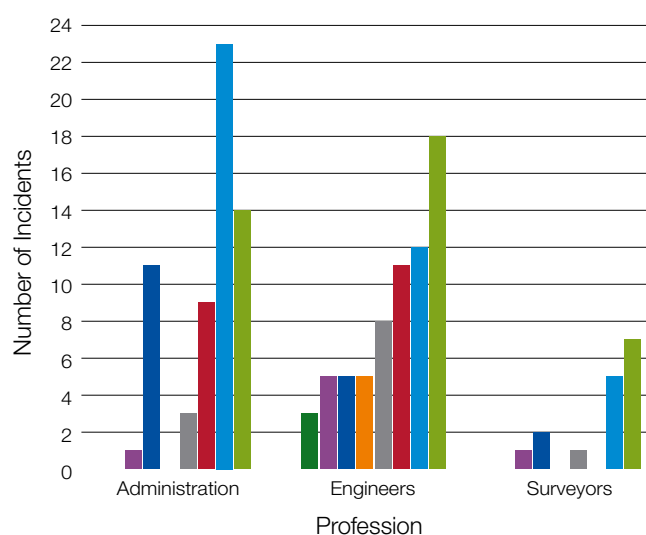
Figure 8b: Reported Incidents by Region

Legend:
- Lost Time Injury
- Medical Treatment
- First Aid
- Property Damage
- Motor Vehicle Accident
- External Event
- Drill or Inspection
- Near Miss
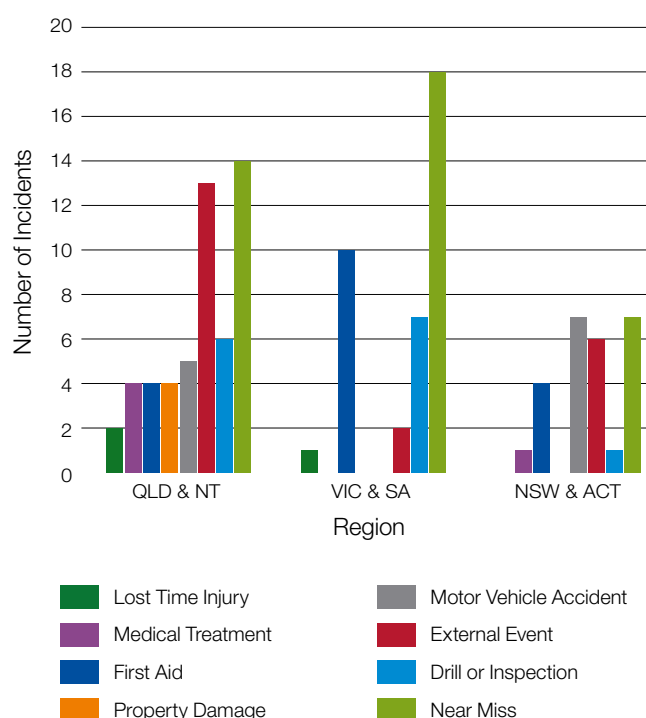
Community

Community Engagement

SMEC aims to partner in the economic development of nations by meeting the needs of diverse clients and communities through professional excellence. SMEC operates in a manner which promotes community engagement and sustainability. Through the adoption of a localisation model, SMEC invests in local communities and nurtures local talent. This improves the skills of people in the communities in which SMEC operates and increases SMEC's capacity to deliver local projects.

Human Rights

SMEC supports and respects the protection of internationally proclaimed human rights and ensures that the Company is not complicit in human rights abuses through its operations.

SMEC has policies in place to ensure that the Company does not violate human rights. In the year ahead, SMEC will review standard commercial agreement templates to include anti-corruption, anti-bribery and human rights protection provisions. SMEC will also review the operations of suppliers, contractors and clients to help keep human rights violations to a minimum.

Child Protection Policy

SMEC maintains a zero-tolerance policy in relation to child abuse. Child abuse includes unacceptable behaviour directly involving children or observed by children. Child Protection Policy training is a mandatory requirement for all employees. During this reporting period, 79% of all new employees completed the Child Protection Policy training within their first three months.

Forced and Compulsory Labour

SMEC's Code of Conduct, along with a variety of other policies and procedures, seeks to ensure that ethical employment and labour practices are implemented across the Company. SMEC complies with national employment legislation throughout Australia and is committed to the elimination of all forms of forced labour and the abolition of child labour.

Indigenous Rights

SMEC works closely with clients to ensure that the rights and heritage of Australia's indigenous population are protected. Where required, SMEC includes Indigenous Heritage Assessments and Management Plans as a component of Environmental Impact Assessments. Wherever possible, SMEC ensures active participation, skill development and increased long-term employment opportunities for indigenous populations.

SMEC Foundation

The SMEC Foundation was established in 2001 and provides small-scale grant support to community groups and development projects in countries where SMEC operates. The aim of the SMEC Foundation is to deliver the best possible social and development outcomes for disadvantaged individuals and communities in Australia and internationally. The SMEC Foundation's principal focus areas are: Health, Education, Environment, Community Development and Emergency Relief.

The SMEC Foundation has four key objectives:

- To provide small-scale grant assistance to community groups and development projects in Australia and in countries where SMEC has a presence
- To consolidate links between SMEC and the communities in which the Company operates
- To create a more systematic process for SMEC's traditional corporate social responsibilities, ensuring the best possible social and developmental impact
- To create partnerships with non-government organisations and community groups addressing poverty, social disadvantage and environmental protection

The SMEC Foundation is registered as a Prescribed Private Fund by the Australian Taxation Office (ATO). Donations are tax deductible for Australian taxpayers and organisations registered as Deductible Gift Recipients with the ATO.

Year in Review

In June 2011, the SMEC Foundation celebrated its tenth anniversary. Over the past ten years, the SMEC Foundation has progressed both in its development as an entity and in relation to the increasing level of funds it has donated within Australia and internationally. The SMEC Foundation has donated approximately $700,000 to projects since it was established in 2001.

During this reporting period, the SMEC Foundation donated over $90,000 to 16 projects in ten countries: Australia, Botswana, Ethiopia, India, Kenya, Lao PDR, Mongolia, Papua New Guinea, Tanzania and Zambia. Figure 11 displays a breakdown of SMEC Foundation donations.

Of funds allocated this year, 51% were donated to Emergency Relief projects, followed by Education (29%), Community Development (10%) and Health (10%) as displayed in Figure 9.

During this reporting period, 56% of funds were donated to projects in Australia, followed by projects in Africa (22%), Asia Pacific (16%) and South Asia (6%) as displayed in Figure 10.

In September 2011, East Africa experienced the worst drought in 60 years. More than 12.4 million people were affected across Somalia, Ethiopia and Kenya. The United Nations declared a famine in two regions of southern Somalia. Due to the famine and ongoing instability in Somalia, many refugees fled to Kenya, where the northern part of the country was facing a humanitarian crisis. Urgent medical and food supplies were required across the region. The SMEC Foundation, together with SMEC's Nairobi office, launched the East African Drought Relief Appeal which raised over $1,800. These funds were donated to the Australian Red Cross.

Figure 9: Expenditure by Sector
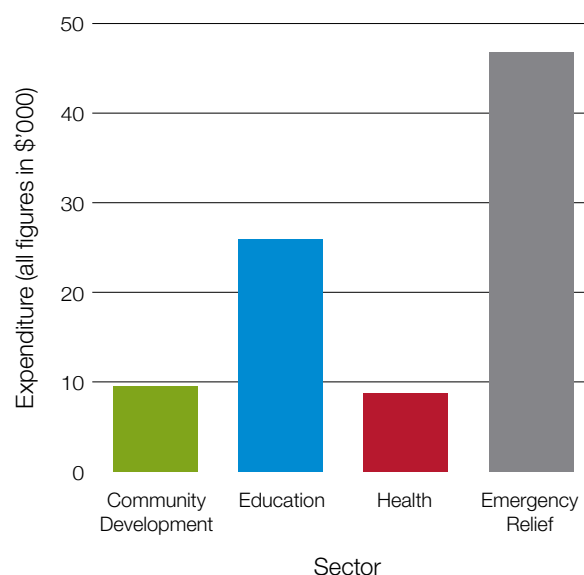
Figure 10: Expenditure by Division
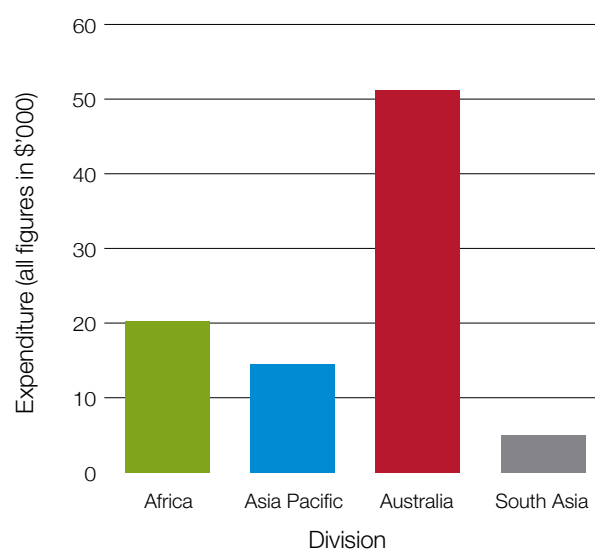
Community (continued)

SMEC Foundation Project Profiles

Maunatala Combined Junior Secondary School
Botswana

The SMEC Foundation donated $5,000 to the Maunatala Combined Junior Secondary School for the purchase of new uniforms for 12 girls and boys sporting teams. The school is a large co-educational facility with over 450 students in Botswana. The school fields teams in softball, volleyball, netball, table tennis, badminton and soccer in both regional and national competitions. Maunatala village is adjacent to the Lotsane Dam project. SMEC is part of a joint venture which is managing the construction of the dam.

Australian Doctors International
Papua New Guinea

Founded in 2000, Australian Doctors International (ADI) is a not-for-profit, non-government health care and development aid organisation working in remote regions of Papua New Guinea (PNG). In 2011, ADI commenced operations in the New Ireland Province of PNG where there are only seven doctors for over 160,000 people. The SMEC Foundation donated $5,000 to ADI for the purchase of life jackets and safety equipment. This equipment is used onboard boats that ADI uses to transport supplies to the New Ireland Province.

Rio Tinto Ride to Conquer Cancer
Queensland, Australia

The SMEC Foundation donated $1,250 to Kevin Golding, a Civil Drafter in SMEC's Brisbane office, who participated in the 2011 Rio Tinto Ride to Conquer Cancer. The event raised funds for the Queensland Institute of Medical Research, a world leader in cancer research and one of the largest and most successful medical research institutes in Australia. The 240km bicycle ride through south-east Queensland took place over two days. Kevin's team of four cyclists raised approximately $12,000 and the event raised $4.7 million.

Gunawirra Breakfast Program
New South Wales, Australia

Gunawirra is a not-for-profit organisation that provides services for Aboriginal and Torres Strait Islander children from birth to adulthood. The organisation undertakes many projects in the Australian outback and believes it is every child's right to a sound education, a loving family and a secure and safe community in which to grow. The SMEC Foundation donated $2,000 to Gunawirra to fund a breakfast program for indigenous pre-school children in Gunnedah. The objective of the program is to promote good nutrition.

Figure 11: SMEC Foundation Donations in 2011–2012

Project	Location	Sector	Amount
University of Queensland, Margaret Cribb Childcare Centre	Queensland, Australia	Emergency Relief	$32,000
Cardwell State School	Queensland, Australia	Emergency Relief	$11,000
Jeshi la Wananchi wa Tanzania Camp	Tanzania	Emergency Relief	$2,001
Australian Red Cross – East Africa Drought Relief Appeal Donation	Kenya	Emergency Relief	$1,800
Maunatala Combined Junior Secondary School – Purchase of Sports Uniforms	Botswana	Education	$5,000
The Anganwadi Project	India	Education	$5,000
World Vision Australia – Construction of Primary School	Lao PDR	Education	$5,000
Chipua Institute for Social Transformation 'Girls In Crisis' Project	Tanzania	Education	$5,000
Our Rainbow House Orphanage	Zambia	Education	$4,000
Gunawirra Breakfast Program for Indigenous Students	New South Wales, Australia	Education	$2,000
Snowy Monaro Arts Council – Purchase of Piano in Memory of John Laught	New South Wales, Australia	Community Development	$5,000
Mongolian Quilting Centre	Mongolia	Community Development	$2,500
Botaura Raiders Rugby League Club Sponsorship	Papua New Guinea	Community Development	$2,000
Australian Doctors International – Integrated Health Patrols	Papua New Guinea	Health	$5,000
Friends of interPART – Wheelchair Project	Ethiopia	Health	$2,500
Ride to Conquer Cancer	Queensland, Australia	Health	$1,250
TOTAL			**$91,051**

Sustainability & Environment

Environment Management Principles

SMEC provides environmentally responsible, innovative and practical project outcomes to clients and conducts all activities in an environmentally responsible manner to minimise adverse impacts on the environment.

Since 1999, SMEC has had a Corporate Environmental Policy Statement and an Environmental Management System (EMS). The EMS outlines SMEC's commitment to both its environmental responsibility and continuous improvement on all projects and across all offices. SMEC's EMS complies with the requirements of the International Standard ISO 14001:2004. SMEC has been certified to ISO 14001 since 1999 by SAI Global (Certificate No C10080).

SMEC's EMS is used to identify, manage and (where possible) reduce SMEC's impact on the environment. The EMS provides a systematic and methodical approach to planning, implementing and reviewing SMEC's environmental performance. Effective implementation of the EMS has assisted in creating a culture that is focused on sustainable practices that are explicitly incorporated into SMEC's everyday business decisions.

Environmental Management Policy

SMEC has a detailed Environmental Management Policy which is reviewed annually by the Company's Executive Committee. SMEC is committed to promoting environmentally responsible behaviour through:

- Implementing and continually improving its project and office environmental management systems, conforming to ISO 14001
- Complying with legal requirements
- Implementing environmental management programs to achieve environmental objectives and targets
- Conducting all activities in an environmentally responsible manner to minimise adverse environmental impacts
- Enhancing beneficial environmental impacts of any SMEC activities to improve the quality of the environment for future generations

- Preventing pollution
- Providing environmentally responsible, sustainable and practical options to clients
- Monitoring, reviewing and auditing SMEC's environmental performance

Environmental Aspect Identification and Assessment

There are two main types of environmental aspects for which SMEC has controls in place to manage and (wherever possible) reduce potential environmental impacts: environmental aspects of projects; and environmental aspects of office activities.

Project Managers and Regional Managers are responsible for determining the potential consequences of environmental impacts, using SMEC's Environmental Impact Assessment Scale, as displayed in Figure 13.

Where the environmental impact rating is above eight, SMEC employees are required to develop appropriate risk treatments, objectives and targets in an Environmental Management Plan. Where risk ratings are above 15, the hazard is assigned to executive level management for review, who ensure that the risk is managed in a holistic manner across the Company.

Training and Competency

All SMEC employees complete mandatory environmental awareness training during induction and on an ongoing basis as required. Specialised training is provided to fulfil job roles and comply with regulatory requirements as required including: environmental auditor training and native fauna trapping training. This training ensures all employees have the necessary knowledge and skills to effectively implement SMEC's EMS.

Carbon Management Initiatives

SMEC's long-term carbon management objective is twofold: to assess Greenhouse Gas (GHG) emissions for all offices; and to establish a GHG emissions baseline. Based on this, SMEC will implement a company-wide Energy Management Framework to improve energy efficiency and reduce GHG emissions.

As of 1 January 2012, SMEC commenced data collection of electricity and paper usage across all Australian offices. Based on these results (over 12 months) SMEC will assess baseline usage and set measurable targets for reduction of both resources.

Carbon Offsetting

GHG emissions generated by SMEC through air travel within Australia were offset by high-grade Voluntary Carbon Standard carbon credits at a rate of $7.62 per tonne. Perenia (a firm which supports companies looking to proactively respond to the challenges associated with climate change) calculated domestic flight GHG emissions using certified industry emissions coefficients; an average of 115 tonnes CO_2e per month (as displayed in Figure 12). In 2011, Perenia retired 1,502 Voluntary Carbon Units (under the international Voluntary Carbon Standard) on behalf of SMEC at a cost of $11,445. This offset 5,102,000km travelled by SMEC employees.

These credits were provided to a biogas and bagasse cogeneration project in Kinauni, India. The project involves the construction and operation of an anaerobic digester for wastewater from a distillery in Uttar Pradesh. The project created jobs for local unskilled labourers during construction.

In 2011, SMEC's printing company measured and offset a carbon footprint of 4,245kg for the production of SMEC's annual publications at a cost of $103. The retired carbon credits were invested in Climate Friendly, a carbon management organisation which invests in renewable energy projects such as wind, solar, hydropower or renewable biomass generated power.

Figure 12: Emissions and Monthly Domestic Air Travel
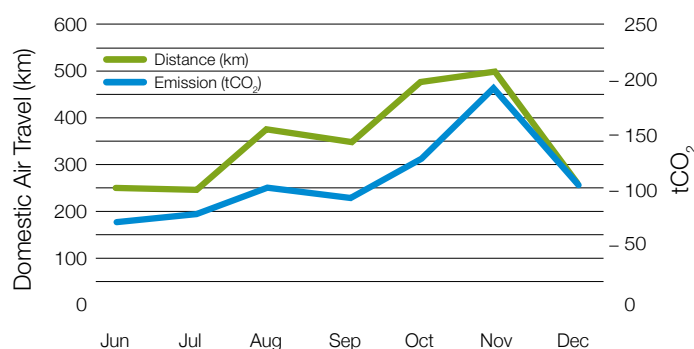
Figure 13: Environmental Impact Assessment Scale

			Impact				
			1	2	3	4	5
			Insignificant	Minor	Moderate	Major, but reversible	Catastrophic
Likelihood	5	Almost Certain	5	10	15	20	25
	4	Above Average	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Rare	2	4	6	8	10
	1	Very Rare	1	2	3	4	5

Rating	Treatment
1 – 6	Manage aspects via safe operating procedure.
8 – 12	Process decisions and treatments or controls are assigned specific responsibilities within the process.
15 – 16	Process decisions and treatments or controls are escalated to senior management for review.
20 – 25	Process decisions and treatments or controls are escalated to executive level management for review.

Sustainability & Environment

Environmentally Sustainable Offices

Environmental Management Plans

SMEC's Melbourne, Sydney and Brisbane offices have Environmental Management Plans in place. The plans describe the processes that SMEC will follow to minimise harm to the environment as well as improve and record progress in this area. Initiatives that have been undertaken as part of these plans include:

- Purchasing at least 70% recycled (from post-consumer waste) or plantation paper
- Purchasing biodegradable plates and cups
- Purchasing green power in offices (10% in the Melbourne office)
- Providing employees with recycled alternatives to work books (unused print-outs are stapled together to form a booklet and left in stationery cupboards)
- Defaulting all the printers to double-sided printing
- Recycling all printer toner cartridges
- Recycling all paper, glass and plastic
- Installing water saving devices in office bathrooms and kitchens
- Educating employees about teleconferencing facilities to minimise the use of domestic air travel
- Using electronic modules in employee training (rather than printing hard-copy material)
- Encouraging employees to use public transport, rather than taxis
- Encouraging employees to fill petrol tanks of company cars with E-10 petrol (a more environmentally friendly petrol product)
- Participating in Earth Hour
- Enabling the 'power saver' function on all printers

Environmental Office Survey

SMEC's Adelaide office undertook an Employee Environmental Survey to gain a better understanding of employee perspectives on SMEC's existing environmental initiatives and areas for improvement. As a result, the Green Star Award was implemented. Employees were asked a series of questions to assess their environmental footprint while at work. Survey questions included: Do you turn your computer monitor off at the end of each day? Do you read documents electronically or print them? The responses were graded and if employees achieved a score greater than 80% they were awarded a Green Star. Employees who scored below 80% were required to attend a workshop to educate them on how to integrate environmentally sustainable initiatives into their work day.

Paperless Board and Committee Meetings

Historically, SMEC's board papers were distributed in a hard-copy format, using approximately 8,000 sheets of paper each month. According to the Environmental Protection Authority of Victoria, the GHG emissions created by this office paper consumption equates to approximately 85kg CO_2e per month. In 2011, SMEC implemented paperless Board papers, via electronic distribution to Apple i-Pads.

Australian Green Infrastructure Council

SMEC Australia is an organisational member of the Australian Green Infrastructure Council (AGIC). The AGIC is a not-for-profit organisation formed to develop a national sustainability rating scheme for the design, construction and operation of Australian infrastructure. SMEC is actively involved in the AGIC's Technical Support Working Group. AGIC represents over 70 Australian corporations and government departments which employ over 57,000 people. Through AGIC's work, seven categories and 27 sub-categories have been identified to measure sustainability across social, economic and environmental aspects of infrastructure project delivery and operation.

(continued)

Environmentally Sustainable Services

Natural Resources and Environment

SMEC is committed to managing risks that may adversely impact the environment. SMEC provides socially and environmentally responsible advice for its clients and develops project outcomes that best meet sustainability objectives. SMEC provides sustainable frameworks for land developments, infrastructure projects, mineral and natural resources projects.

SMEC's services include Environmental Impact Assessments and permitting studies, climate change adaptation, water resource studies, strategic policy advice on natural resources, sustainable waste management, pollution control, ecological assessment, conservation management, engineered solutions to environmental problems (such as fish passages) and contamination assessment and remediation.

SMEC has a strong capability in fauna crossings, wetland rehabilitation, habitat restoration and the delivery of offset strategies. A critical part of SMEC's success in this area is the Company's ability to integrate environmental considerations across all disciplines and take a holistic approach to the resolution of local issues.

Climate Change Adaption

Climate change adaption involves implementing strategies to build resilience into landscapes so that future climate changes can be accommodated while mitigation efforts take effect. SMEC is building its ecological knowledge base in the area of climate change adaption, particularly in habitat connectivity, pest species management, offset and reserve establishment, water re-use and wetland and waterway rehabilitation.

SMEC is Australia's market leader in fish passage construction and re-establishment. Soft treatments such as artificial wetlands and vegetated drains for stormwater runoff are increasingly being used in the urban setting as an effective means to treat and re-use water. SMEC is at the forefront of this environmental innovation.

SMEC has significant capability in the area of environmental monitoring and evaluation. SMEC employs highly skilled Geographic Information System and flood modellers that examine and report on the benefits of environmental flows released into river systems.

In a changing climate, pest species are potentially a major beneficiary. SMEC has employees skilled in terrestrial and aquatic pest species monitoring and management; and the interaction between exotic pests and predators and threatened species and their habitats.

Of key importance is the communication of the science behind climate change adaption and impact minimisation responses. SMEC's employees are experienced in stakeholder liaison and bridge the gap between science and engineering and the public interest. SMEC maintains a balance of academic and technical employees in the area of climate change adaption to ensure responsiveness.

Renewable Energy

SMEC is at the forefront of the renewable energy sector, implementing projects that work towards replacing diminishing fossil fuel resources and cutting carbon emissions. SMEC has experienced engineers undertaking research into the most efficient and cost-effective ways to implement renewable energy projects.

SMEC's areas of specialisation include geothermal, photovoltaic and solar thermal, wind, biomass, bio-fuels, mini and micro-hydro technologies and energy efficient strategies.

Sustainability & Environment

Natural Resources and Environment Project Profiles

Clayton Retarding Basin and Wetland
Victoria, Australia

Located approximately 20km south-east of Melbourne, the wetland will: reduce the 100 year Average Recurrence Interval flood level by removing the west levee bank; extend the basin into Namatjira Park; and lower the remaining embankments. The wetland will remove 1,850kg of nitrogen per annum and produce up to 92ML of treated stormwater for irrigation. SMEC is providing landscape architecture, detailed design, surveying and ecology services. The project is being undertaken on behalf of the Melbourne Water Waterways Alliance.

Camden Valley Way Upgrade
New South Wales, Australia

The New South Wales Roads and Maritime Service is planning to upgrade Camden Valley Way in Sydney. SMEC deployed a Geographic Information System (GIS) to provide a single point of access to over 130 layers of spatial information including cadastre, geophysical, environmental and heritage constraints and aerial site photos. All designers are able to use the GIS to check significant environmental constraints, facilitating efficient issue resolution, improved risk management and a design which minimises adverse environmental impacts.

Climate Change Vulnerability of Fisheries
Pacific Islands

SMEC collaborated with a team of over 80 international scientists to assess the vulnerability of freshwater and estuarine habitats as well as oceanic and coastal fisheries to climate change in the Pacific. The project was led by the Secretariat of the Pacific Community and produced a resource book for Pacific governments and the Intergovernmental Panel on Climate Change. The project identified habitats that are likely to be enhanced by increased rainfall and river flows (due to climate change) and have potential for increased fisheries production.

North Tuncurry Development Project
New South Wales, Australia

SMEC (in partnership with Landcom) is undertaking a project delivery agreement for the North Tuncurry Development Project, a proposed major land rezoning and subdivision. SMEC is providing: Coastal Hazard Definition Study; River Flood Study; Hydrogeologic Assessment; and a Surface Water Management Plan including water sensitive urban design and water and wastewater servicing strategies. These studies will address key risks and provide a sound scientific basis for mitigation measures as required for project approvals.

Renewable Energy Project Profiles

Kogan Creek Solar Pre-Heat Project
Queensland, Australia

The project includes design of a 44MW solar thermal addition to the existing 750MW Kogan Creek Power Station in south-west Queensland. The addition will augment Kogan Creek Power Station's feedwater system, increasing electrical output and fuel efficiency. The project scope includes: modelling of a solar field to accommodate 14 solar steam generators; footing designs; a stormwater management plan; and lightning protection. SMEC is undertaking detailed designs for the civil, environmental and mechanical components.

Yandera Power Options Study
Papua New Guinea

SMEC is undertaking a Power System Study on behalf of Marengo Mining Ltd to identify power supply options and recommend the most technically viable and cost effective option for the Yandera Cu-Mo-Au Mine project. The mine is in a remote mountainous region of the Madang Province. SMEC assessed a variety of power options including: thermal (open-cycle gas turbine generators, gas reciprocating engine generators, diesel and dual fuel systems), hydropower, renewable (biomass, geothermal, wind and solar) and transmission and distribution.

Mufindi and Kilombero Rural Electrification Projects
Tanzania

SMEC is undertaking a review of various electricity supply project proposals in Mufindi and Kilombero in Tanzania. Green Resources planned to build a 15MW Combined Heat Power plant, while the Tanzania Electric Supply Company proposed development of transmission lines and rural electrification. SMEC's services include: an electrification plan to reduce electrification costs to rural areas; detailed designs; capacity assessment of the proposed electricity grid; review of hydropower options; risk assessment; and stakeholder consultation.

Municipal Street Lighting
Sri Lanka

The project aims to improve poorly maintained street lighting and provide technical support to Ceylon Electricity Board (CEB) and Lanka Electric Company (LECO). SMEC is designing and implementing two pilot projects to address existing street lighting deficiencies. The successful pilot project will then be implemented and funded by the Climate Change Fund for widespread implementation. SMEC is also developing a Demand-Side Management program to help CEB and LECO reduce electricity demands and minimise energy waste.

GRI Index

This report applies the Global Reporting Initiative G3.1 Guidelines to a self-assessed Level B.
Core Performance Indicators (PI) are in bold.

	GRI Indicator	PI Description	Comments	Page Number
Strategy	1.1	Statement from the CEO.		4–5
	1.2	Description of key impacts, risks and opportunities.		4–5, 21
Profile	2.1	Name of the organisation.	SMEC Holdings Limited	
	2.2	Primary brands, products and services.	Feasibility studies, detailed design, tender and contract management, construction supervision, operation and maintenance, training and project management.	6–9
	2.3	Operational structure of the organisation.		6–11
	2.4	Location of organisation's headquarters.	220–226 Sharp Street Cooma NSW 2630, Australia	
	2.5	Number of countries where the organisation operates.	30+	6–9
	2.6	Nature of ownership and legal form.		6–9
	2.7	Markets served.	Transport; Water; Geotechnical, Mining and Tunnelling; Natural Resources and Environment; Energy and Renewables; Urban Development; Social Development; Government and Advisory Services.	6–9
	2.8	Scale of the reporting organisation.		6–9, 22
	2.9	Significant changes to size, structure or ownership during the reporting period.	Nil.	
	2.10	Awards.		18
Report Parameters	3.1	Reporting period.	1 April 2011 – 31 March 2012	2
	3.2	Date of most recent report.	April 2011	2
	3.3	Reporting cycle.	Annual.	2
	3.4	Contact point for report.	sustainabilityreport@smec.com	2
	3.5	Process for defining report content.		2
	3.6	Boundary of the report.		2
	3.7	Limitations on the scope or boundary of the report.		2
	3.8	Basis for reporting on joint ventures and other entities.		2
	3.9	Data measurement techniques.		2
	3.10	Explanation of restatements.	Nil.	
	3.11	Significant changes in scope and boundary during the reporting period.	Nil.	
	3.12	Table identifying location of standard disclosures.	GRI Table.	40–43
	3.13	External assurance.	SMEC has not used external assurance for the report.	

	GRI Indicator	PI Description	Comments	Page Number
Governance	4.1	Governance structure.		10–15
	4.2	Chair of the highest governing body.		10–15
	4.3	Independent and non-executive board members.		10–15
	4.4	Mechanisms to provide recommendations to the highest governing body.		10–15
	4.5	Compensation and performance.		10–15
	4.6	Processes to avoid conflicts of interests.		10–15
	4.7	Process for determining qualifications and expertise.		10–15
	4.8	Mission, values and code of conduct.		11
	4.9	Processes for management of company performance.		10–15
	4.10	Processes for evaluating the performance of the highest governing body.		10–15
	4.11	Precautionary principle addressed.		4–5, 11
	4.12	Externally developed economic, environmental and social charters.		4–5, 18, 36
	4.13	Memberships in associations.		18
	4.14	List of stakeholder groups engaged by the organisation.		16–17
	4.15	Basis for identification and selection of stakeholders.		16–17
	4.16	Approaches to stakeholder engagement.		16–17
	4.17	Key stakeholder topics and concerns.		16–17
Economic	**EC1**	**Direct economic value generated and distributed.**		**19**
	EC2	**Financial implications, risks and opportunities due to climate change.**		**34–39**
	EC4	**Financial assistance received from government.**		**19**
	EC5	Entry level wage compared to local minimum wage.		25
	EC9	Indirect economic impacts.		30–33
Environmental	**EN3**	**Direct energy consumption.**		**34–37**
	EN4	**Indirect energy consumption.**		**34–37**
	EN5	Energy savings.		34–37
	EN6	Energy-efficient or renewable energy services.		37–39
	EN7	Reductions in indirect energy consumption.		34–39
	EN12	**Impact on areas of high biodiversity value.**		**37–39**
	EN13	Habitats protected or restored.		37–39
	EN16	**Greenhouse Gas emissions by weight.**		**35**

GRI Index (continued)

	GRI Indicator	PI Description	Comments	Page Number
Environmental	EN18	Greenhouse Gas reduction initiatives.		34–36
	EN19	**Ozone depleting substances by weight.**		**35**
	EN23	**Total number and volume of significant spills.**	**Nil.**	
	EN24	Weight of transported waste.	Nil.	
	EN26	**Initiatives to mitigate environmental impacts.**		**34–39**
	EN28	**Non-compliance with environmental laws.**	**Nil.**	
Labour Practices and Decent Work	**LA1**	**Workforce by type, contract, region and gender.**		**22–23**
	LA2	**Employee turnover.**		**22**
	LA3	Benefits provided to full-time employees.	The same benefits are provided to all employees (part-time on a pro-rata basis).	26–27
	LA4	**Percentage of employees covered by collective bargaining agreements.**	**Nil.**	
	LA7	**Rates of injury and lost days.**		**28–29**
	LA8	**Programs to assist with serious diseases.**		**27–29**
	LA10	**Average hours of training per employee.**		**26**
	LA11	Skills management and lifelong learning programs.		26–29
	LA12	Regular performance reviews.		26
	LA13	**Workforce diversity.**		**22–24**
	LA14	**Basic salary of men to women.**		**25**
Human Rights	**HR4**	**Total number of incidents of discrimination.**	**Nil.**	
	HR5	**Risks to freedom of association.**	**All employees can join unions.**	
	HR6	**Risks to child labour.**		**30**
	HR9	Incidents involving indigenous people.	Nil.	
Society	**SO1**	**Programs that assess and manage the impacts of operations on communities.**		**30–33**
	SO7	**Legal actions for anti-competitive behaviour.**	**Nil.**	
	SO8	**Non-compliance with laws and regulations.**	**Nil.**	
Product Responsibility	**PR1**	**Health and safety impacts of services.**		**28–29**
	PR2	Non-compliance with health and safety laws.	Nil.	
	PR4	Non-compliance with information laws.	Nil.	
	PR5	Practices related to client satisfaction.		16–17
	PR7	Non-compliance with marketing laws.	Nil.	
	PR8	Breaches of client privacy.	Nil.	
	PR9	**Fines for non-compliance.**	**Nil.**	