SMEC

Local People. Global Experience.

SMEC
Sustainability Report

2012
2013

Contents

This is SMEC's third annual Sustainability Report. The report covers SMEC's economic, environmental and social performance from 1 April 2012 to 31 March 2013.

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 been implemented in Australia over the last year and will be implemented in pilot sites internationally in the year ahead.

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.

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.

The Chief Executive Officer

I fully support SMEC's CSR Program and will continue to drive a culture where sustainability is entrenched in the way we do business.

I am pleased to report that this is SMEC's third consecutive year reporting on the Company's Sustainability initiatives, since joining the United Nations Global Compact (UNGC) in April 2010. Each year we have made progress in all three areas of reporting; People, Community, and Sustainability and Environment.

In early 2013, we clearly defined the Company's commitment to the three areas and agreed several five-year objectives. We are already using these objectives to plan and implement our Corporate Social Responsibility (CSR) Program.

Gender diversity remains a priority for SMEC and I'm pleased to note that improving the gender balance is gaining momentum. As at 1 January 2013, 32% of new starters in the Australian business were female, and 24% of Australian based employees were female. This is positive and a lot higher than the industry average.

Succession Planning has been a key focus area during this reporting period. A formal program has been implemented for the two levels of management below the CEO position. The Program involves an online 360 degree appraisal, mentoring program and detailed Development Program. 'Level One' managers (Executive Committee members) and 'Level Two'

managers (direct reports of Executive Committee members) have commenced the Program. The Program will progressively be implemented across all levels of the Company.

In this reporting period, we focused on improving benefits for our people and implemented initiatives ranging from generous Australian Defence Force leave, to (additional) annual leave being made available for purchase. Purchasing additional annual leave has been particularly popular with 15% of Australian-based employees availing of the opportunity within the first six months.

SMEC is serious about having a work environment that is inclusive and promotes mutual respect. In this reporting period we reviewed our approach to Equal Employment Opportunity (EEO) and developed an EEO framework. We have implemented EEO briefings for all members of the Board, Executive Committee and the Australian Management Committee. EEO training is being implemented for all Australian-based employees over the next 12 months.

Providing a working environment where there is no risk to health and safety is a top priority for SMEC. In this reporting period, we continued to focus on proactive reporting of health and safety. In 2011, we changed

the way we recorded health and safety hazards and implemented a system to record 'proactive alerts' (to identify a potential hazard before an accident occurs). In this reporting period, we set a target of 48 proactive alerts and recorded 60 proactive alerts, this is encouraging.

With changes to Australian Workplace Health and Safety (WH&S) in 2012, we implemented online training to ensure our people are kept informed. We achieved an 86% completion rate which was a good result. Also in the WH&S space, we introduced the Safety and Wellbeing Award as a new annual award. This Award recognises an initiative that has had a positive impact on safety and wellbeing at SMEC.

SMEC continued its commitment to supporting people in need through the charitable work of the SMEC Foundation. In this reporting period, donations increased by 12% to (over) A$100,000 and were used to provide small-scale grants to 17 projects in nine countries, primarily in the areas of Education (40%), Emergency Relief (25%) and Health (20%).

New initiatives to eliminate (or minimise) adverse impacts on the environment were introduced in this reporting period. We collected baseline data to reveal that in Australia alone, SMEC consumed

over 2.4 million kWh of power and over 7,000 reams of paper in the last 12 months. We immediately set a reduction target of 10% for energy and paper consumption for the next 12 months. To assist in achieving this target, SMEC joined CitySwitch, a national tenant energy efficiency program.

I fully support SMEC's CSR Program and will continue to drive a culture where sustainability is entrenched in the way we do business. We have made significant progress to date and I am excited about the practical program we will be implementing in the year ahead.

Ross Hitt
Managing Director and Chief Executive Officer
SMEC Holdings Limited

The Company

A professional services firm with Australian origins and a global footprint, SMEC couples expertise with responsiveness and reliability to deliver practical outcomes for major infrastructure projects.

5,000+
people

70+
offices

35+
countries

Global Network

NORTH AMERICA	SOUTH ASIA AND MIDDLE EAST	ASIA PACIFIC
AFRICA		
SOUTH AMERICA		
AUSTRALIA AND NEW ZEALAND		

North and South America

- Established 2004
- 4 offices
- 65 people

Africa

- Established 1974
- 25 offices
- 1,368 people

South Asia and Middle East

- Established 1968
- 16 offices
- 1,895 people

Asia Pacific

- Established 1962
- 10 offices
- 588 people

Australia and New Zealand

- Established 1949
- 16 offices
- 1,264 people

Corporate Governance

Company Structure

SMEC operates using a divisional-functional matrix structure. The essential features of the structure are: a Chief Executive Officer (CEO) reporting to a Board of Directors; one global division, Mining, Oil and Gas; four geographic divisions (Australia and three international divisions); and a series of functional (technical) groups. A Corporate Affairs group provides business support services across the Company.

The SMEC Group operates through a number of companies under parent company SMEC Holdings, a predominately employee owned public company registered in Australia. SMEC's Australian and international operations are conducted through SMEC Australia, SMEC International and Global Maintenance Consulting. The SMEC Group includes subsidiaries which meet regional and functional needs.

The Board of Directors

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 behaviour, transparency and ensure fair remuneration.

SMEC's Board is responsible for formulating SMEC's strategic direction and maintaining good corporate governance. Acting on behalf of shareholders, the Board is accountable for SMEC's financial and operational performance and acts with fairness and accountability. The Board has a written charter which outlines its responsibilities and governance framework.

SMEC's Board is composed of two Executive Directors and four Non-Executive Directors. The Board can only have a maximum of eight members (a majority of independent Non-Executive Directors), with the Chair elected by the Board. Directors should have a range of skills and experience and (except the Managing Director) should retire at the fourth Annual General Meeting following their appointment, or stand for re-election.

Independence of Non-Executive Directors

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

Board Committees

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

Audit and Risk Committee

The Audit and Risk Committee assists the Board with financial reporting, managing SMEC's material risks and ensuring that financial information (provided to investors and the Board) is accurate and timely. 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 assists in establishing a Board with an effective composition, diversity and size to adequately discharge its responsibilities. The Committee aims to ensure that SMEC: secures, motivates and retains highly skilled and diverse senior executives to ensure SMEC's long-term success; remunerates its directors and senior executives fairly and responsibly; and implements policies and practices that secure, motivate and retain highly skilled and diverse employees. The Remuneration and Nominations Committee must have at least three members, consist only of Non-Executive Directors, have a majority of independent Directors and have an independent Chair.

Executive Committee

The Executive Committee (EC) monitors SMEC's operations and ensures that strategies and policies set by the Board are implemented. The EC is responsible for all matters not reserved for the Board or individual Directors and is responsible for the day-to-day management of SMEC. The EC is chaired by the Managing Director and CEO, receives its terms of reference from the Board and is comprised of members appointed by the 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 A$1,000,000). During the 2011–2012 financial year, remuneration of Non-Executive Directors totalled A$542,449. 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. Reviewed and updated in early 2013, the Code requires that all employees act with honesty, integrity and in compliance with the law and work collaboratively with their colleagues. The Code encourages employees to report any unethical practices and ensure the safety of themselves and those around them.

Managers (in addition to the above responsibilities) are expected to develop a positive working environment and provide ongoing support and feedback to their employees including performance and development reviews.

Along with the review of the Code of Conduct, SMEC introduced an Equal Employment Opportunity Procedure (which covers workplace harassment and bullying) to promote an inclusive, flexible work environment that fosters mutual employee respect.

Risk Management

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

SMEC has improved its processes for the identification of risks and better consultation in managing risks. This led to the implementation of (more) targeted risk management measures, and an overall improvement of SMEC's risk management systems.

During this reporting period SMEC 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.

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 and regulatory requirements.

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

During the reporting period, SMEC implemented an electronic audit site to monitor quality levels and generate feedback to improve the QMS and SMEC's overall business operations. Since 1 July 2012, there have been 122 items logged using the audit site. These items range from corrective action requests to business improvement suggestions.

Board of Directors

Peter Busbridge
Chairman
BE(Civil), AMP Harvard, FIEAust, 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 and in 2010 Peter was appointed a Director of the SMEC Foundation Board. Peter holds a Bachelor of Engineering (Civil) from Melbourne University and has 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).

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.

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

Kate is a Non-Executive Director of SMEC (appointed in 2010), Chair of the Audit and Risk Committee and a Director of the SMEC Foundation Board. Kate is currently a Non-Executive Director on the Boards of Sonic Healthcare Ltd, Fletcher Building 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.

In early 2013, SMEC set a number of five year objectives to help deliver on the CSR commitments the Company has made in each of its three key areas; People, Community, and Sustainability and Environment.

Ross Hitt
Managing Director and CEO
BE(Civil), GradDip(Management), FIEAust, 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.

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. 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.

Roger Bayliss
Non-Executive Director
BSc, MRACI, FAICD

Roger was appointed to the Board in 2002. Roger is a Non-Executive Director of SMEC, Chair of the Remuneration and Nominations Committee and a Director of the SMEC Foundation Board. Roger's career has spanned 45 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.

Executive Committee

Ross Hitt

Managing Director and CEO
BE(Civil), GradDip(Management), FIEAust, 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.

Hari Poologasundram

Chief Operating Officer Australia and New Zealand
BSc(Hons), MSc, CPEng, MIEAust, MICE, MIHT

Hari joined SMEC in 1994, was appointed Managing Director Australia in 2009 and Chief Operating Officer Australia and New Zealand in 2012. Hari has over 25 years' experience in the delivery of large infrastructure projects using Design and Construct, Public-Private Partnership and Alliance methods. Hari holds a Bachelor of Science (Civil Engineering) and a Master of Science (Civil Engineering) from City University, London.

Manoli Loukas

Chief Operating Officer Asia Pacific
GradDip(Business), MBA

Manoli joined SMEC in 2005. In 2011, Manoli was appointed Acting Chief Operating Officer Asia Pacific and in 2012 he was permanently appointed. Prior to this, Manoli held the positions of Regional Director Asia Pacific and Regional Manager India. With over 25 years' engineering experience, Manoli has a strong background in operations management and strategy development. Manoli holds a Master of Business Administration from Swinburne University.

Andy Goodwin

Chief Operating Officer South Asia and Middle East
BSc(Eng)Mech, BCom(Hons)

Andy joined SMEC in 2012 as Chief Operating Officer South Asia and Middle East. Andy has 29 years' energy and infrastructure sector experience in Asia, Europe and South Africa. Andy has led highly technical and complex projects and implemented business strategies that have led to strong growth. Andy holds a Bachelor of Science (Mechanical Engineering) from the University of Witwatersrand and a Bachelor of Commerce (Honours) from the University of South Africa.

SMEC's Executive Committee is comprised of a diverse group of professionals, responsible for the day-to-day management of the Company.

Alastair McKendrick

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

Alastair joined SMEC in 1999, was appointed Chief Financial Officer in 2000, elected to the Board in 2001 and appointed Group Finance Director in 2009. Alastair has over 30 years' experience managing large organisations and consulting to small-to-medium organisations in Australia, Hong Kong 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.

Neil Evans

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

Neil joined SMEC in 1993, was appointed Director Strategy and Business Development in 2009 and Director Strategy and New Business in 2012. Prior to this, Neil was Managing Director Australia, and led acquisitions and business planning. Neil has over 40 years' experience and has been a member of project boards and review groups worldwide. Neil holds a Bachelor of Science (Civil Engineering) from the University of New South Wales and completed the Advanced Management Program at Harvard University.

Tom Marshall

Chief Operating Officer Africa
PrEng, BEng, MEng, DEng, MSAICE, MIMESA, FIOD

Tom joined SMEC in 2012, when Vela VKE joined The SMEC Group. Tom has over 25 years' experience in civil engineering design, construction supervision and management of multi-disciplinary teams throughout southern Africa. Tom holds a Bachelor of Engineering (Civil) and a Master of Engineering (Geotechnics and Transportation) from the University of Stellenbosch and a Doctor of Engineering (Engineering Management) from the University of Johannesburg.

Irek Stawiczny

Chief Operating Officer Mining, Oil and Gas; and CEO GMC Global
BE(Mechanical)

Irek is the founder of GMC Global. Irek joined SMEC in 2012, when GMC Global became part of The SMEC Group. A qualified engineer with 18 years' mining industry experience, Irek has worked in multiple technical and leadership roles. Irek has been involved in a number of large-scale maintenance management improvement programs and global Enterprise Resource Planning (ERP) projects. Irek holds a Bachelor of Mechanical Engineering from Central Queensland University.

Angus Macpherson

Director Corporate Affairs
BE(Civil), CPEng, MIEAust

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

Stakeholders & Objectives

Stakeholder Engagement

SMEC interacts with a wide range of stakeholders, from local community members and contractors to employees, clients, shareholders, industry bodies and opinion leaders.

SMEC stays abreast of emerging trends and sensitive issues through effective and regular dialogue with stakeholders. This dialogue feeds directly into the ongoing development of SMEC's business practices. SMEC recognises that it is important to engage with local stakeholders to develop a Corporate Social Responsibility (CSR) framework that resonates with employees, clients, communities and other stakeholders.

The diverse nature of stakeholder groups means a variety of methods is used to communicate effectively at every level. The communication method used depends on the situation and the stakeholder and may involve one-on-one meetings, industry initiatives, corporate publications, company announcements, media releases, the website (www.smec.com), the intranet or a combination of these.

SMEC's policies and procedures identify and manage issues that may impact stakeholders. SMEC's three major stakeholder groups are employees, clients and shareholders.

Employees

SMEC's management has an 'open door' philosophy, whereby all employees can feel comfortable approaching management to discuss any issue or idea. SMEC encourages two-way communication with employees through the Staff Consultative Committee (SCC). The SCC is a recognised committee within SMEC's management chain, comprising both employee-elected and management-appointed employees. The SCC acts in an advisory capacity to address employee issues and management briefs. Initiatives introduced by the SCC over the last 12 months include Australian Defence Force leave and employee travel discounts.

Employees receive regular company updates from the CEO and other senior management via email announcements and SMEC's intranet. The SMEC News, an electronic internal monthly newsletter (edited and produced by employees for employees) provides information on SMEC's projects, people, events and achievements.

Clients

Client satisfaction is (and has always been) a high priority for SMEC. Listening to clients is a major part of the business. SMEC encourages open dialogue with its clients and focuses on quick action to improve service and project delivery.

SMEC has a Client Relationship Management (CRM) policy, related procedures and an online system to manage client information to better respond to client needs. CRM documentation includes a project closure procedure which states that Project Managers must request client feedback using SMEC's Project Service Questionnaire (which covers quality of service, technical input and value for money).

At the time of this report, SMEC was finalising an improved client feedback tool (and associated procedures) linked to the existing CRM system. SMEC's improved client feedback system will capture and analyse client feedback to ensure SMEC continues to provide responsive, reliable services.

Shareholders

SMEC has a policy of continuous disclosure and communication to shareholders. The Board aims to ensure that shareholders are fully informed. The Company Secretary is responsible for communicating with the Australian Securities and Investments Commission (ASIC) and ensuring compliance with the continuous disclosure requirements of the *Corporations Act 2001*. SMEC communicates with its shareholders through a dedicated shareholder website, Annual General Meetings and a range of announcements.

Sustainability Objectives

In early 2013, SMEC set a number of five year objectives to help deliver on the commitments the Company has made in each of its three Corporate Social Responsibility (CSR) categories: People; Community; and Sustainability and Environment. SMEC will report on progress against these objectives in future Sustainability Reports.

People

Our Commitment

Create a rewarding, inclusive workplace for our people by encouraging personal development, recognising good performance, fostering equal opportunity and ensuring employee health, safety and wellbeing.

Five Year Objectives

- To provide and maintain a satisfying and rewarding work environment for all employees
- To achieve and maintain cultural and gender balance and increase awareness of the importance of diversity
- To provide employees with personal and career development opportunities and clear career paths
- To eliminate or manage hazards and practices that could cause accidents, injuries or illness

Community

Our Commitment

Support community and charitable programs that provide long-term solutions.

Five Year Objectives

- To deliver the best possible social and development outcomes for people in need through small-scale grant support through the SMEC Foundation
- To protect and uphold internationally proclaimed human rights, particularly in the areas of child abuse and forced compulsory labour
- To support and encourage employee participation in their local community, particularly charity work

Sustainability and Environment

Our Commitment

Eliminate or minimise any adverse impacts that SMEC's office activities and projects have on the environment.

Raise employee, client and community awareness of the importance of environmental sustainability.

Five Year Objectives

- To operate energy efficient offices and reduce Greenhouse Gas (GHG) emissions generated by SMEC's operations
- To provide long-term environmentally sustainable project advice to clients
- To implement an Environmental Awareness Program to educate employees, clients, partners and contractors about the importance of environmental sustainability

Performance

Industry Awards

Consistently ranked amongst the world's top engineering firms, SMEC won a variety of awards in the past year, from technical excellence and design innovation to the management of environmental risks.

SMEC improved its rankings in Engineering News Record's (ENR) 2012 lists. SMEC was ranked at number 74 in the 'Top 150 Global Design Firms' list (an increase of 13 positions) and ranked at number 58 in the 'Top 200 International Design Firms' list (an increase of nine positions). In ENR's 2012 'Top Ten by Market' list for Water, SMEC ranked at number nine.

Alliancing Association of Australia
- Alliance Team of Excellence Award (Project Alliance): Ballina Bypass Alliance

Banksia Environmental Foundation
- Water Award: Condamine Alliance

Civil Contractors Federation (New South Wales)
- Earth Award (projects greater than A$75 million): Ballina Bypass Alliance

Civil Contractors Federation (South Australia)
- Earth Award (projects greater than A$75 million): Adelaide Desalination Plant

Consult Australia
- Future Leader (Gold): Jared Cooke, Manager Highways, Brisbane

Engineers Australia (Newcastle)
- Engineering Excellence Award: Ballina Bypass Alliance
- Regional Award: Ballina Bypass Alliance

Engineers Australia (Queensland)
- Engineering Excellence Award (projects greater than A$50 million): Gateway Upgrade
- R.W. Hawken Award: Gateway Upgrade

Engineers Australia (Northern)
- President's Award for Best Public Infrastructure Project: Darwin River Dam Upgrade

International Erosion Control Association
- Environmental Achievement Award: Banora Point Upgrade Alliance

International RiverFoundation
- Australian River Prize: Condamine Alliance

New South Wales Roads and Maritime Services
- Quality Innovation Award: Banora Point Upgrade

Planning Institute (Northern Territory)
- Best Planning Ideas Award (Small Ideas): Breezes Muirhead

Urban Development Institute of Australia (Victoria)
- Residential Development (more than 250 lots): Cardinia Lakes

Company Memberships

- Association of Consulting Surveyors (Victoria)
- Association of Land Development Engineers
- Australian Green Infrastructure Council
- Australian National Committee on Large Dams
- Australian Water Association
- Australasian Corrosion Association
- CitySwitch Green Office Program
- Consult Australia
- International Road Federation
- National Association of Women in Construction
- Property Council of Australia (South Australia)
- Property Council of Australia (Victoria)
- Roads Australia
- United Nations Global Compact
- Urban Development Institute of Australia (Queensland)
- Urban Development Institute of Australia (Victoria)
- Water Industry Alliance
- Waste Management Association of Australia
- Women's Planning Network

Economic Performance

SMEC has policies in place to ensure strong economic performance, sustained long-term growth and positive returns for all stakeholders. During the reporting period (1 April 2012 to 31 March 2013), revenue in Australia increased by 8.9% to A$222.6 million. SMEC's net operating profit after tax in Australia increased by 4.4% to A$12.2 million. SMEC's operating costs decreased by 42% to A$33.7 million, with employee compensation increasing by 36% to A$176.6 million. The generation and distribution of SMEC's economic value is displayed in Figures 1 and 2.

Government Financial Assistance

The Australian Government offers a Research and Development (R&D) tax incentive (40% tax offset) for activities which are innovative or have high levels of technical risk.

During the reporting period, SMEC spent A$1,028,324 on R&D activities and received A$101,804 as an after tax cashback benefit (as displayed in Figure 3).

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

Generated	VIC & SA	NSW & ACT	QLD & NT	AUSTRALIA
Revenue	74,970	94,329	53,297	222,596
Net Operating Profit After Tax	N/A	N/A	N/A	12,202

Figure 2: Economic Value Distributed in Australia (all figures are in A$'000)

Distributed	VIC & SA	NSW & ACT	QLD & NT	AUSTRALIA
Operating Costs	(11,373)	(14,311)	(8,085)	(33,769)
Employee Compensation	(59,486)	(74,847)	(42,289)	(176,622)
Payments to Providers of Capital – Dividend	N/A	N/A	N/A	(7,231)
Government (Tax)	N/A	N/A	N/A	(1,091)
TOTAL				**(218,713)**

Figure 3: Financial Assistance Received from the Australian Government (all figures are in A$)

	Claimed in 2012 Tax Deduction at 133% (1/4/12–30/6/12)	Estimate Claim Tax Offset at 133% (1/7/12–31/3/13)	TOTAL (1/4/12–31/3/13)
R&D Expenditure	257,081	771,243	1,028,324
Before Tax Cash Benefit	84,836	254,510	339,346
After Tax Cash Benefit	25,451	76,353	101,804

Sustainability Strategy

People, Community, and Sustainability and Environment are the three broad focus areas of SMEC's Corporate Social Responsibility framework.

A$100K+
donated

100%
of offices
recycle paper

18
weeks
parental
leave

People

Employee Demographics

As at the end of December 2012, SMEC had a total of 1,252 employees based in 15 offices across Australia. This is a 3% decrease in employee numbers from the previous reporting period.

The majority of SMEC's Australian employees (82%) are contracted on a full time basis, as displayed in Figure 4. SMEC's employees are spread across three regions: Southern (South Australia, Victoria and Western Australia), Central (the Australian Capital Territory and New South Wales) and Northern (Queensland and the Northern Territory). The Central region is home to the majority of employees (43%), followed by the Southern region (31%), then the Northern region (26%).

The average turnover for all employees in 2012 was 25%, with the majority aged between 25 and 44 (as displayed in Figure 5). This is a slight decrease on 2011, during which the average turnover was 26%. The main reason for turnover (see Figure 6) was resignation (61%), followed by redundancy (29%).

Remuneration

During this reporting period, the average female graduate salary was A$69,846; A$1,564 more than the average male graduate salary. SMEC has benchmarked this data with Aon Hewitt standards to ensure the Company's remuneration levels are in line with industry standards. SMEC found that female graduate salaries were on par with industry standards while male graduate salaries were slightly less (A$3,500 per annum).

The average overall male salary for Engineering Professionals was A$124,332. The average female salary for Engineering Professionals was A$118,075. The average male salary is in line with industry standards. The average female salary is slightly lower (A$2,700).

SMEC recognises that male employees are, on average, paid more than female employees. This can be attributed to a much higher proportion of males in senior positions; and more broadly the type of roles that male and female employees undertake.

Employee Benefits

Flexible Working Arrangements

Introduced in 2011, SMEC's Flexible Working Arrangements (FWA) procedure includes options to vary hours of work, work from home and job share. The objective of the procedure is to enable employees to balance their work and personal commitments. During this reporting period, 33 employees used SMEC's FWA, representing a 57% usage increase since the last report. Of those employees using FWAs, 73% were female.

Purchased Additional Annual Leave

SMEC introduced a Purchased Additional Annual leave procedure in July 2012. The procedure enables employees to salary package up to an additional four weeks of annual leave per year. As at January 2013, 183 employees had taken advantage of this new procedure, 30% of these employees were female.

Parental Leave

SMEC employees who are the primary care giver, can apply for 52 weeks of unpaid parental leave and are 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), capped at A$150,000 per annum. As of 1 January 2013, SMEC also provides employees with one weeks' paid paternity leave, on top of annual and long service leave.

During the reporting period, 20 female employees took parental leave; 35% returned from parental leave, 20% did not return and 45% are still on parental leave. Of the 35% of female employees who returned to work, 86% returned on a FWA. Ten male employees took paternity leave (all returned to work).

Australian Defence Force Leave

During this reporting period, SMEC introduced an Australian Defence Force (ADF) leave procedure. SMEC will provide up to ten days ADF leave annually (comprised of the Defence Reserve Service's Payment Scheme and topped up to the normal salary level by SMEC). The scheme provides a weekly payment of A$1,345 (2012-2013) based on Average Weekly Ordinary Time Earnings (AWOTE).

Tertiary Education Assistance

SMEC's Tertiary Education Assistance program supports the professional development of employees. Continuing full time and part time employees who have successfully completed 12 months of continuous service are eligible to apply for Tertiary Education Assistance. SMEC will reimburse 50% of course fees, up to a maximum of A$10,000 per calendar year. During the reporting period, the number of employees accessing Tertiary Education Assistance tripled to 19 employees, of which two were female.

Employee Assistance Program

SMEC's Employee Assistance Program (EAP) is provided by Davidson Trahaire Corpsych. Through the EAP, employees can access short-term confidential counselling and financial advice. In 2012, 48 employees accessed the EAP, 44% of these employees were female. This 3.8% utilisation rate is slightly higher than industry benchmarks.

Corporate Health Plan

SMEC offers all employees a corporate health plan through BUPA. The benefits include discounted health insurance and waived waiting periods. At the time of reporting, 126 employees were BUPA members (an increase of 15% on last year), 29% of these are female.

Figure 4: Employee Numbers in Australia

Region	Full Time	Part Time	Casual	Fixed Term	TOTAL
SA & VIC	285	16	47	4	352
NSW & ACT	414	25	39	1	479
QLD & NT	244	10	37	3	294
GMC Global	77	0	1	49	127
TOTAL	1,020	51	124	57	1,252

Figure 5: Employee Turnover by Gender and Age in Australia
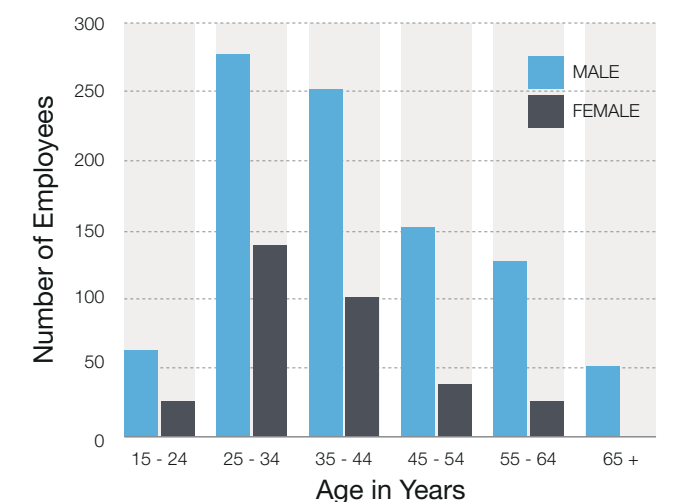
Figure 6: Reason for Employee Turnover in Australia

- Resignation 61%
- Redundancy 29%
- Dismissal 7%
- Retirement 2%
- Deceased 1%
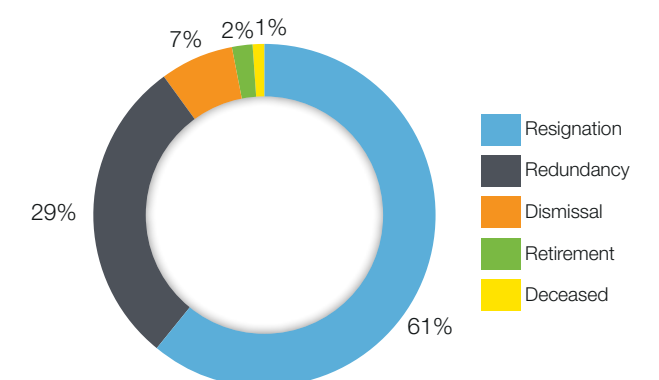
People (continued)

Gender Diversity

SMEC is committed to promoting gender diversity and understands that improving the gender balance throughout the Company is not only a business imperative, it makes good business sense. As at 31 December 2012, 24% of SMEC's employees were female, a 1% decrease since the last reporting period. As displayed in Figure 7, the majority of SMEC's female employees were aged between 25 and 34 years (33%) and 58% were classified as professional (degree qualified including engineers, scientists and corporate services), followed by administration (33%) and technical (9%), as displayed in Figure 8.

A total of 32% of new starters were female (a slight increase of 1.4% on last year), as seen in Figure 9. 37% of graduate employees who joined SMEC were female (compared to 19.5% last year). The majority of females who commenced work with SMEC in 2012 were degree qualified professionals (57%) aged between 25 and 34 years (42%).

These figures are significantly higher than the industry standard. According to a report released by Engineer's Australia (*The Engineering Profession*), 10.7% of the total Australian engineering workforce and 16% of engineering graduates are female.

Within Australia, SMEC operates nine engineering functional groups: Environment, Infrastructure, Industrial and Power, Local Government, Social Development, Survey, Transport, Urban Development and Water. Of these functional groups, three have a high proportion of female employees, including the Social Development group with 67% of female employees, the Environment group with 53% of female employees and the Local Government group with 50% of female employees.

Gender Diversity Steering Committee

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

Women In SMEC (WINS)

The WINS (Women In SMEC) Committee was established in 2011 to help increase the level of participation of women in leadership in SMEC. The objectives of WINS are to identify strategies to: support women's internal networking and knowledge sharing; enhance the personal and professional development of female employees; and enhance employee work-life balance. Activities undertaken by WINS over the last 12 months include:

- Career X-Factor panels where successful business women shared their insights for career success. These were held in the Brisbane and Melbourne offices.
- Company membership of the National Association of Women in Construction.
- Introduction of a WINS intranet page within the Diversity site which includes a discussion board, links to women's networks and information from the Workplace Gender Equality Agency.

In the year ahead, WINS will focus on the theme of 'Career Development', with three in-house sessions planned, including: My Career X-Factor (self-awareness sessions targeting career drivers and values), My Career at SMEC (career planning within SMEC) and Career Coaching (development of mentoring and action plans).

Gender Diversity Initiatives

As in the previous reporting period, SMEC continued to implement a number of programs to increase awareness of gender diversity. SMEC is aware that to achieve gender diversity the Company must create cultural change by aligning work practices, processes and systems with diversity objectives. The first step in creating cultural change is raising awareness at all levels of the Company about gender diversity.

SMEC celebrated International Women's Day (IWD) with a week-long program of events in major Australian offices during the official week (4 to 8 March, 2013). SMEC's 2012 theme was 'Women Living Well'. SMEC encouraged employees to take part in a range of health and wellbeing activities including Work Health Checks and a panel session with successful business women in leadership roles. As part of IWD, SMEC facilitated a charity drive, calling on employees to donate unwanted business attire to Fitted for Work (a not-for-profit organisation that assists long-term unemployed and disadvantaged women to obtain work).

SMEC's international offices hosted a range of events to celebrate IWD. In Pakistan, SMEC celebrated IWD with an afternoon tea while in Kenya, a presentation about the advancement of women was given by a guest speaker. SMEC's Tanzanian office marked the occasion with a special lunch and SMEC's South African offices donated funds to the Women's Hope Education and Training Trust (a charity that works with female victims of violence and abuse).

SMEC submits an annual report to the Workplace Gender Equality Agency (formerly the Equal Opportunity for Women Agency), 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 2011-2012 financial year and will submit a report for the 2012-2013 financial year.
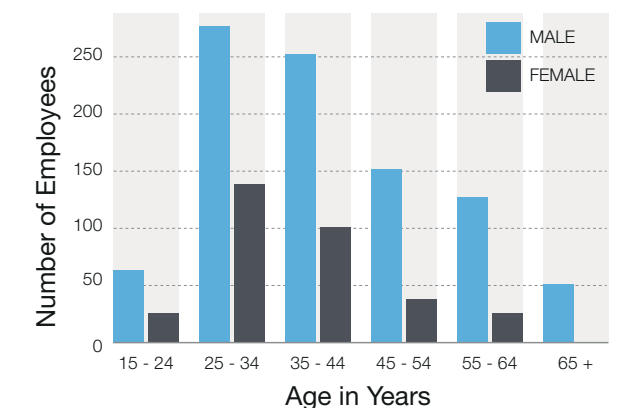
Figure 7: Employees by Gender and Age

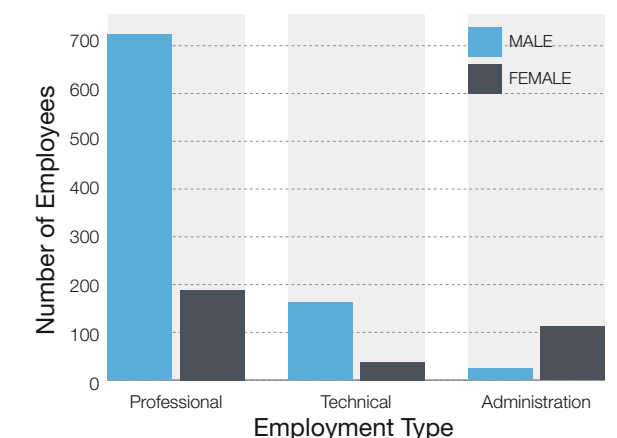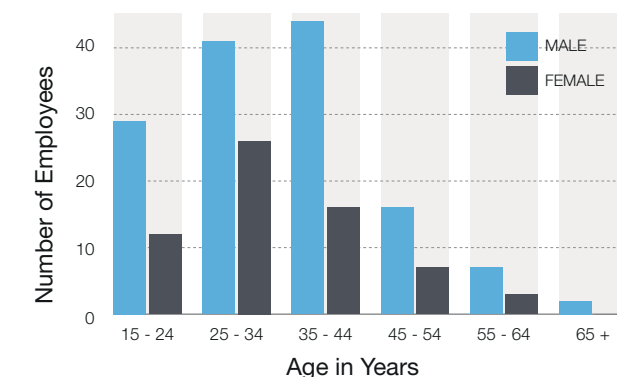**Figure 8:** Employees by Gender and Employment Type

Figure 9: New Starters by Age and Gender

People (continued)

Career Development

Career Pathways

SMEC provides employees with clear career pathways within its global business. SMEC is commited to employee development and workforce sustainability, and provides a workplace with targeted learning and development programs and an equitable reward and recognition framework. SMEC is looking to increase its investment in training for the year ahead as part of its overall workforce planning and management strategy.

Succession Planning Program

SMEC launched a formal Succession Planning Program in 2012 for two management levels below Chief Executive Officer. Level one includes Executive Committee members, while level two includes direct reports of Executive Committee members, including General Managers, Regional Directors and Regional Managers. The program includes an objective, merit-based nomination process and initiatives such as 360 degree appraisal and psychometric testing.

During the reporting period, level one managers were provided a mentor and completed a 360 degree appraisal survey. A Talent Profile was developed which includes general information on each manager, future possible roles, development strategies, mobility and preferences to assist in succession planning. Succession planning for level two managers will be completed in 2013.

Project Management Training

SMEC focused on developing project management skills over the last 12 months. In Australia, 35 employees (34% of which were female) were given the opportunity to undertake either a Diploma or Certificate IV in Project Management.

The training was supported by a partnership between SMEC, Engineers Education Australia and The Moreland Group, with funding from the National Workforce Development Fund. This will now become an annual program, with a minimum of two employees from each Australian region (six in total) participating in the program annually.

A one day workshop, 'Introduction to Project Management at SMEC', was also developed in collaboration with an external consultant. The objective of the workshop was to introduce employees (either new to project management or new to project management at SMEC) to SMEC's project management methodology, policies and procedures. The program was delivered in the Melbourne, Brisbane and Sydney offices to 25 employees.

A more in-depth two day project management training program was developed and piloted in Queensland. The two day program targeted experienced project managers and covered topics ranging from client relationship management and procurement to quality and safety management.

Equal Employment Opportunity Training

In 2012, SMEC's approach to Equal Employment Opportunity (EEO) was reviewed. As a result, an EEO Framework (covering training and policy development and review) was introduced to promote an inclusive, flexible work environment that fosters mutual respect.

Implementation of the EEO Framework commenced in December 2012 with the roll out of briefing sessions to the Board, the Executive Committee and the Australian Management Committee. Other aspects of the Framework, including training for managers and employees, will be rolled out in 2013. The training for managers will cover EEO legislation and people management skills.

Performance and Development Review

SMEC conducts annual Performance and Development Reviews (PDR) for all employees using CareerTrac, an in-house appraisal system. The objective of the PDR process is to review employee performance and set future objectives by aligning individual performance and development planning with SMEC's business plan.

The training and development needs of employees are reviewed annually as part of the PDR process. This review considers the needs of the employee, their manager and the needs of SMEC as a whole. The process strives to align organisational needs with individual development needs and aspirations.

In 2012, 80% of SMEC's employees participated in the PDR process; 74% were male and 26% were female (this aligns with SMEC's gender workforce composition). The CareerTrac Performance ratings were fairly evenly spread, with the majority of employees (75% of males and 81% of females) falling into the 'Meets Expectations' category. The second largest category was the 'Exceeds Expectations' category, with 21% of males and 19% of women.

Professional Development Program

The Professional Development Program (PDP) is one of the four pathways that Engineers Australia offers to members to achieve Chartered Engineer status. During the reporting period, SMEC renewed its support for employees achieving Chartered status and introduced new application processes (to better monitor and support employees wanting to achieve this status). SMEC now funds the cost of both the registration fee and assessment fees.

Managers play a key role in supporting employees completing the PDP. Managers are expected to monitor employees' progress in the PDP, provide development opportunities, mentor and encourage the submission of Engineering Competency Claims. During this reporting period, 36 SMEC employees were enrolled in the PDP through Engineers Australia, 22% of these employees were female.

Career Recognition

SMEC values its employee's commitment to the Company and believes it is important to acknowledge career milestones. SMEC's Career Recognition procedure formalises 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. In 2012, 113 employees achieved a career milestone.

SMEC recognises the outstanding technical excellence of employees as well as their contribution to the Company, the wider industry and the community, through the annual SMEC Awards. There are five SMEC Award categories: SMEC Medal; SMEC Project of the Year; SMEC Young Professional of the Year; Safety and Wellbeing Award; and Community Award.

People (continued)

Workplace Health & Safety

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 including employees, contractors, visitors and the general public. In order to meet these responsibilities, SMEC:

- Develops safety awareness through training
- Takes all practicable steps to eliminate hazards within the workplace through risk identification, assessment, control, reporting and monitoring
- Sets business specific health and safety standards 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 rehabilitation

Year In Review

In 2012, SMEC surpassed its 'proactive alerts' reporting targets for the second year in a row. Proactive alerts involve routine, planned testing, inspection and identification of possible hazards before an incident occurs.

SMEC's 2012 target of 48 proactive alerts was surpassed by 25%, with SMEC recording 60 proactive alerts. Proactive reporting accounted for 52% of all Workplace Health and Safety (WH&S) reporting in 2012, followed by reactive reporting (25%) and injury reporting (23%).

SMEC had a total of 121 reported incidents in 2012, this was similar to 2011, with 120 incidents reported. 'Drills and Inspections' accounted for the greatest number of reports, with 37 reported in total. This was followed by 'Near Misses' with 15 reported. Figures 10 and 11 display a breakdown of reported incidents by region and activity.

Lost Time Injury (LTI) frequency rate per million hours worked increased from 1.45 per month to 3.3 per month, in 2012. This increase can be attributed to four accidents (only one of which occurred in a SMEC office) which resulted in employee injuries. Through a renewed employee safety communication campaign (including articles in the monthly employee newsletter and safety alerts) SMEC hopes to reduce LTI frequency rates to less than 1.45 per month in the year ahead.

With the increase in LTIs, the importance of SMEC's Return to Work (RTW) Coordinator also increased. To ensure the best outcome for SMEC's injured employees, SMEC engaged a specialist RTW Coordinator from an external company to assist injured employees to return to (or remain at) work as soon as safely possible after injury.

SMEC strives to ensure that all new employees are familiar with relevant WH&S policies and legislation through the delivery of online training during induction. Reflecting the changing WH&S laws in Australia, SMEC delivered revised WH&S training to all Australian employees in 2012 and to GMC Global (one of SMEC's wholly-owned subsidiaries) employees in February 2013. The completion rate for this training course was 86%.

In 2012, SMEC introduced an annual Safety and Wellbeing Award. The award recognises an initiative (implemented within the last year) that has had a positive impact on safety and wellbeing at SMEC.

SMEC revised its procedure for the leasing of pool cars in early 2013. The procedure now states that if a new car is leased, it should have a five star New Car Assessment Program (NCAP) safety rating.

Health and Safety in 2013

SMEC will continue to uphold its commitment to the core values of safety, knowledge and integrity to maintain a zero harm culture. With this in mind, SMEC will implement a number of new initiatives in the year ahead.

Training

SMEC's Human Resources and WH&S departments will implement a range of measures to increase awareness of Equal Employment Opportunity (EEO) emphasising the prevention of workplace bullying, sexual harassment and psychological injury. These measures include both policy updates and a range of educational tools including online training.

Hazard Identification and Risk Assessment

In 2013, hazard identification and risk assessment will be simplified through the introduction of revised online forms for Job Safety and Environment Analysis as well as Safe Work Method Statements. The new forms will have an improved user interface, automated e-mailing and formatting improvements.

Safety Communications

SMEC understands that to improve workplace health and safety, employee communication is vital. SMEC will continue to provide detailed reports to all levels of management to maintain awareness of hazards, incidents and proactive reporting. In 2013, SMEC's monthly internal newsletter will feature regular articles on WH&S to complement existing safety alerts and training.

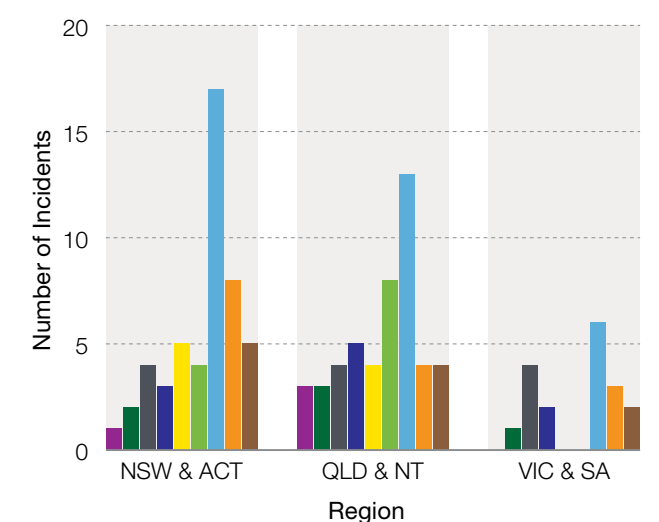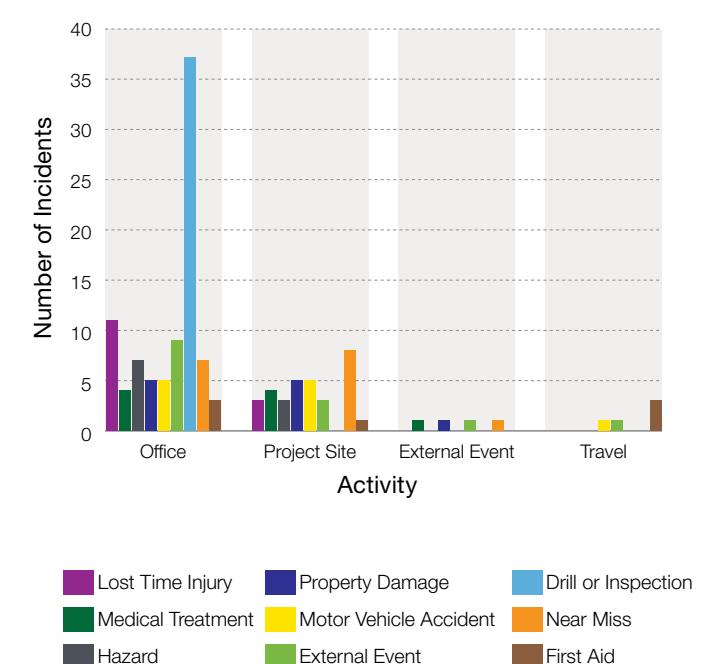**Figure 10:** Reported Incidents by Region

Figure 11: Reported Incidents by Activity

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

Community

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 a number of policies.

Corruption and Bribery

SMEC's Code of Conduct prohibits bribery and corruption by employees, consultants and third parties who act on SMEC's behalf. SMEC is reviewing all standard commercial agreement templates to include anti-corruption, anti-bribery and human rights protection provisions.

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, 60% of 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 and is committed to the elimination of all forms of forced and 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 people.

Community Involvement

SMEC helps develop sustainable communities where its employees live and work by supporting community programs that provide long-term improvements.

Community Award

SMEC's employees give their time and talent to assist in developing sustainable communities. In recognition of this, SMEC recently introduced a new award category in its Annual Awards, the Community Award.

One employee will be recognised each year for their outstanding contribution to the improvement of their local community or the quality of life of people in the broader community, with particular emphasis on charity work. The Community Award will be presented in November 2013, and annually thereafter.

Community Challenge

In early 2013, SMEC implemented a Community Challenge procedure. The Community Challenge is a year-long competition in which SMEC's Australian offices vie for the most 'Community Points'. Community Points will be earnt by donating money, time, services and goods to local community groups and charities. For example, one hour of volunteering earns ten points.

At the end of each year, the office with the most points will be awarded a A$5,000 grant from the SMEC Foundation to be donated to their project of choice. The project must align with the SMEC Foundation's Guidelines for Prospective Applicants. SMEC's first Community Challenge will commence in July 2013.

The SMEC Foundation

The SMEC Foundation provides small-scale grant support to deliver the best possible social and development outcomes for people in need. Established in 2001, the SMEC Foundation addresses the causes of poverty and helps communities become more self-sufficient through small-scale grant assistance. Operating with financial support from The SMEC Group and donations from employees, the SMEC Foundation focuses on Community Development, Education, Emergency Relief, Health and Environment projects.

After more than ten years in operation, the SMEC Foundation has donated over A$700,000 to more than 200 projects in over 30 countries. Improving the lives of many people, SMEC Foundation projects have ranged from building homes for people affected by floods in Pakistan to establishing a teacher training college in Afghanistan.

Since 2010, when SMEC joined the United Nations Global Compact (UNGC, the world's largest corporate citizenship and sustainability initiative), the SMEC Foundation has required that all funding requests align with the UNGC's ten principles in the areas of Human Rights, Labour Standards, Environment and Anti-Corruption.

During this reporting period, the SMEC Foundation donated over A$102,000 to 17 projects in nine countries (as displayed in Figure 14). This is a 12% increase on funds donated in the previous reporting period. As displayed in Figure 12, the majority of funds went to Education projects (40%), followed by Emergency Relief (25%), and Health (20%) projects. More than half of all funds (51%) were donated to projects in Asia Pacific, 39% were donated to Australian projects and the remaining 10% to projects in Africa, as displayed in Figure 13.

In May 2012, the SMEC Foundation Board conducted internal presentations and a range of material (flyers, bookmarks, forms, intranet site) was also developed to promote the SMEC Foundation.
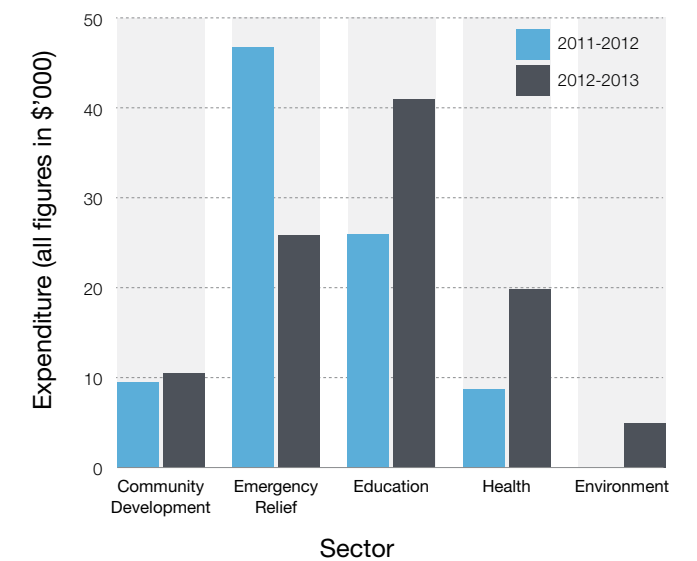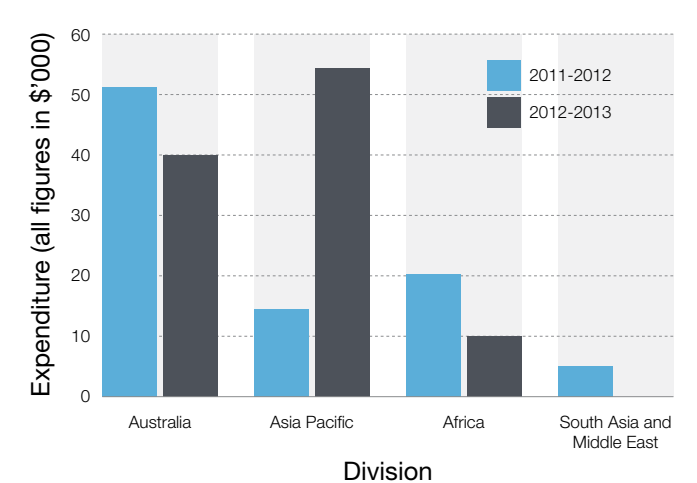
Figure 12: Expenditure by Sector

Figure 13: Expenditure by Division

Community (continued)

SMEC Foundation Projects

John Fawcett Foundation, Eye Clinic in Morotai
(Indonesia, Health)

In September 2012, the SMEC Foundation donated A$5,000 to the John Fawcett Foundation (JFF). The Indonesian Air Force funded the transportation of the JFF mobile clinic to the remote island of Morotai where JFF conducted eye screenings for 3,000 people, performed cataract operations for 60 patients and provided people with glasses. The grant funded eye screening tests and cataract operations for 44 patients in Morotai.

Verbist Care Centre Orphanage
(Mongolia, Education)

A shelter for homeless children, the Verbist Care Centre in Ulaanbataar received a grant of A$8,000 from the SMEC Foundation to build a new roof. The roof will prevent snow seeping into the building, which had caused freezing temperatures inside (particularly in winter when the temperature reaches -40°C). The new roof also increased the centre's capacity, enabling another 15 to 20 orphans to join.

Chipua Institute for Social Transformation
(Tanzania, Education)

In 2012, the SMEC Foundation donated A$5,000 to the Chipua Institute for Social Transformation for the 'Girls in Crisis' project. The Chipua Institute works with girls living in the slums on the outskirts of Dar es Salaam (Tanzania's capital). The objective of the 'Girls in Crisis' project is to provide a formal education for girls, focused on life skills as well as vocational and business skills to ensure financial independence.

Ride to Conquer Cancer
(Australia, Health)

The SMEC Foundation donated A$2,000 to the Ride to Conquer Cancer in both 2012 and 2013. The SMEC Foundation sponsored Kevin Golding (Civil Drafter, Sunshine Coast) who participates in the ride each year. The two day bicycle ride through Queensland's countryside benefits the Queensland Institute of Medical Research, one of Australia's largest and most successful medical research institutes.

Figure 14: SMEC Foundation Donations in 2012–2013

Project	Location	Sector	Amount
Banteay Srei Safe House	Cambodia	Community Development	A$5,487
WaterAid funding for Water Tank in Liquica District	Timor-Leste	Community Development	A$5,000
ChildFund Australia, Improving Access to Education	Papua New Guinea	Education	A$10,000
Verbist Care Centre – Roof Construction	Mongolia	Education	A$8,000
Chipua Institute for Social Transformation	Tanzania	Education	A$5,000
Engineering Aid Australia Summer School	Australia	Education	A$5,000
Opportunity Cambodia	Cambodia	Education	A$5,000
Children's Hope in Action, Health Education in Communities	Vietnam	Education	A$5,000
Verbist Care Centre – Computer Upgrade	Mongolia	Education	A$3,000
Rotary Park Mission Beach, Queensland Advancing Community Resilience Fund	Australia	Emergency Relief	A$15,860
Cyclone Yasi Recovery Group, Cassowary Coast Regional Council	Australia	Emergency Relief	A$10,000
Nature Foundation	Australia	Environment	A$5,000
John Fawcett Foundation – Restoring Sight in Karangasem Program	Indonesia	Health	A$5,800
John Fawcett Foundation – Eye Clinic in Morotai	Indonesia	Health	A$5,000
Cerebral Palsy Alliance – Mulago Hospital Research	Uganda	Health	A$5,000
Ride to Conquer Cancer 2012	Australia	Health	A$2,000
Ride to Conquer Cancer 2013	Australia	Health	A$2,000
TOTAL			**A$102,147**

Sustainability & Environment

Sustainability Principles

SMEC is committed to embedding sustainability principles throughout the Company. Environmental management programs and initiatives influence business systems, procedures and communications.

SMEC continues to improve its understanding of the sources, scope and extent of its resource use, environmental emissions and impacts as well as transparently report on performance. SMEC's objective for environmental management is to avoid or (where this is not possible) minimise impacts while contributing to lasting environmental benefits in local communities.

Since 1999, SMEC has had a Corporate Environmental Policy Statement and an Environmental Management System (EMS) to formalise the Company's commitment to environmental responsibility. SMEC's EMS complies with the requirements of ISO 14001.

SMEC's 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 incorporating sustainable practices into everyday business decisions.

Environmental Management Policy

SMEC has a detailed Environmental Management Policy which is reviewed and reaffirmed annually by SMEC's Chief Executive Officer. SMEC operates in an environmentally responsible behaviour through:

- Implementing and improving environmental management systems, in line with 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 Impact Assessment

SMEC has controls in place to manage and (wherever possible) reduce potential environmental impacts for environmental aspects of projects and 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 15).

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 (EMP). Where risk ratings are above 15, the hazard is assigned to executive management for review, who ensure that the risk is managed in a holistic manner across the Company.

Project Managers must also develop and document environmental objectives and targets for their project during the planning stage and measure and monitor the achievement of objectives and targets at least annually (or on completion for short-term projects). Regional Managers must do the same for all offices in their region.

Figure 15: 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.

Sustainable Offices

Environmental Management Plans

The majority of SMEC's Australian offices have Environmental Management Plans (EMPs) in place. These EMPs outline how SMEC will reduce its environmental impact, improve performance and report transparently. A number of initiatives have been implemented via the EMPs:

- Installing teleconferencing equipment to reduce travel
- Implementing online training
- Purchasing 70% recycled (from post-consumer waste) or plantation paper
- Purchasing green power (10% in the Melbourne office)
- Encouraging public transport use (by making train, bus or tram tickets available for employee use)
- Participating in Earth Hour
- Enabling the 'power saver' function on printers
- Defaulting printers to double-sided printing
- Recycling printer toner cartridges
- Recycling paper, glass and plastic

Carbon Management

SMEC understands that its business operations emit a lot of Greenhouse Gases (GHG). From lighting and heating to computers and photocopiers, a lot of energy is used. Through development of a carbon management strategy, SMEC is seeking to reduce its energy consumption. SMEC understands that the first step in managing carbon emissions is to capture baseline GHG data to measure the Company's carbon footprint, identify major sources of GHG emissions, and manage and reduce these over time.

SMEC commenced data collection for electricity and paper usage across all Australian offices during the reporting period. During 2012, SMEC's offices consumed over 2.4 million kWh of power (equivalent to 3,127 tonnes of CO_2e) at a cost of over A$600,000.

Sustainability & Environment (continued)

Sustainable Offices (continued)

In 2012, SMEC used 7,254 reams of paper at a cost of A$50,000. This equates to approximately 3,000 sheets of paper per employee per year. GHG emissions for the production of this paper are approximately 24 tonnes of CO_2e.

SMEC has set a reduction target of 10% for energy and paper use in the year ahead. To achieve this target, SMEC is developing practical programs to ensure its offices become more energy and resource efficient.

CitySwitch

In February 2013, SMEC's Melbourne office joined the CitySwitch Green Office Program, a national tenant energy efficiency program. The Program is a joint initiative between local councils and state governments.

CitySwitch signatories commit to achieving and maintaining an accredited four stars or higher National Australian Built Environment Rating System (NABERS) Energy tenancy rating. NABERS is a national rating system that measures the environmental performance (including energy efficiency, water usage, waste management and indoor environment quality) of Australian buildings, tenancies and homes.

A benchmark NABERS energy rating confirmed that the Melbourne office is currently rated at two stars. The Melbourne office will develop and implement an Environmental Management Plan which includes low or no-cost energy efficiency improvements. If the pilot of CitySwitch in the Melbourne office is a success, the program will be rolled out across other Australian offices.

Mobile Muster

SMEC implemented a mobile phone recycling program in Australian offices in early 2013 through Mobile Muster. Mobile Muster is a free mobile phone recycling program that ensures mobile phones (and their associated accessories) do not end up in landfill; instead they are safely, securely and ethically recycled.

Print Offsetting

In 2012, SMEC's printing company measured and offset a carbon footprint of 4,851 kg for the production of SMEC's annual publications at a cost of A$145. The retired carbon credits were invested in Climate Friendly, a carbon management organisation which invests in renewable energy projects.

SMEC introduced a procedure for the carbon offsetting of printing; printing of all corporate documents (including, but not limited to, the Annual Review, Annual Report and One SMEC) is carbon offset.

Sustainable Procurement Procedure

SMEC introduced a Sustainable Procurement Procedure during the year. Employees who undertake procurement of items valued over A$150,000 (capital works, information technology, fleet and office supplies) must assess whether purchases: minimise waste disposal, reduce GHG gas emissions and water use, maximise resource efficiency, conserve and improve biodiversity, incorporate ethical considerations, are carbon neutral, or have a low carbon footprint.

Think Green. Take Action.

The *Think Green. Take Action.* Program was launched in the Melbourne office in February 2013 to support CitySwitch. The Program includes a dedicated intranet site with suggestions for employees to be more environmentally sustainable at work (and at home), lunchtime information sessions on sustainable practices and a 'Submit Your Green Idea' suggestion box.

In the year ahead, the Program will be significantly expanded. Focused on educating employees about how their actions directly influence climate change, a 'Switch Off' campaign will be implemented to encourage employees to switch off lights, computers and other electrical equipment.

Environmental Surveys

In early 2013, an Environmental Survey was distributed to all SMEC Urban (one of SMEC's wholly-owned subsidiaries) employees. The objective of the survey was to inform the *Think Green. Take Action.* Program and raise awareness about environmentally sustainable practises at work.

The Survey showed that there is room for improvement across all areas of employee behaviour. The majority of employees (78%) always recycle bottles and cans. However, only 7% always turn off lights in areas not in use 100% of the time. 18% always use double-sided printing and 46% never use teleconferencing equipment. 2% always turn off their computer if they are away from their desk for more than half an hour, and 68% always turn their computer off overnight and on the weekend.

A separate Environmental Survey was distributed to all Australian Office Managers. The Survey focused on sustainable procurement, waste disposal, office facilities and procedures. The results will inform the *Think Green. Take Action.* Program in the year ahead and encourage office managers to adopt environmentally sustainable practices within their offices.

The Survey showed that the majority of offices already have recycling programs in place; all offices recycle paper and cardboard, 91% of offices recycle used printer cartridges and 75% recycle bottles and cans.

However, improvement is required in the area of sustainable procurement and education. Only 33% of offices purchase recycled paper and only 25% purchase recycled printer cartridges and tissues. Employee education in environmental sustainability needs addressing with only 25% of offices using 'Turn off the lights' stickers and 'Don't waste water' stickers.

Sustainability Services

Natural Resources and Environment

SMEC is committed to applying the principles of Ecologically Sustainable Development (ESD) across all services in the transport, health, infrastructure, mineral and urban development markets. SMEC's consulting services ensure delivery of the social, environmental and economic obligations and objectives of clients.

SMEC's services include environmental impact assessments, permit applications in accordance with environmental planning frameworks, strategic planning and due diligence investigations, master planning, ecological assessments, contamination and remediation studies and water quality management.

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's areas of specialisation include geothermal, solar photovoltaic and solar thermal, wind, bio-mass, bio-fuels, hydropower technologies and energy efficiency strategies.

SMEC's services include: sustainable energy policy planning, site identification and evaluation, feasibility studies, detailed technical design and specifications for complex systems, carbon services, construction supervision, network connection, load forecasting and long-term energy generation planning.

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 in the area of climate change adaption, particularly in habitat connectivity, pest species management, water re-use, wetland and waterway rehabilitation. SMEC integrates environmental innovation into engineering design to assist with climate change adaption.

Sustainability & Environment (continued)

Natural Resources & Environment Projects

Northern Beaches Health Service Project
(New South Wales, Australia)

The New South Wales Government is committed to the Northern Beaches Health Service Project, which will deliver integrated and contemporary health care services to residents of northern Sydney. SMEC is acting as the environmental and development approvals manager for the hospital, providing ecological assessments, environmental impact assessments and managing development approvals.

Olympic Dam Permitting
(South Australia, Australia)

Olympic Dam is the world's largest uranium deposit and fourth largest copper deposit. The mine is supported by a variety of infrastructure which required hundreds of licences and permits. As part of BHP Billiton's Permitting Team, SMEC reviewed proposed infrastructure designs (in line with the Environmental Impact Statement) and coordinated licence and permit applications with the relevant authorities.

Urban Biodiversity Mapping Assessment
(Victoria, Australia)

The Victorian Government's *Melbourne 2030: Planning Update* forecast that Melbourne will require 600,000 additional dwellings by 2030. Land supply in Melbourne's growth areas was below the Government's policy and a review of Melbourne's Urban Growth Boundary was required. SMEC investigated the flora and fauna attributes of 2,730 ha and advised the Growth Areas Authority on biodiversity values.

Conargo Local Environmental Plan 2012
*(New South Wales, Australia)*

SMEC assisted Conargo Shire Council to prepare a shire-wide Local Environmental Plan to regulate the sustainable use of rural land. The project involved general management, strategic planning and geographic information system mapping across 8,750 sq km. Key sustainability issues were considered including future zoning of land and protection of farmland, river banks and biodiversity assets.

Renewable Energy Projects

Solar Systems Northern Victoria 100 MW Solar Farm
(Victoria, Australia)

Located south of Mildura at Carwarp, the 100 MW concentrated solar project involves installation of approximately 2,500 14 m diameter solar collectors, from 2013 to 2017. SMEC provides ongoing Research and Development (R&D) services to Solar Systems to improve system performance. For the solar farm in Mildura, SMEC is providing field designs to improve constructability, durability, operability and performance.
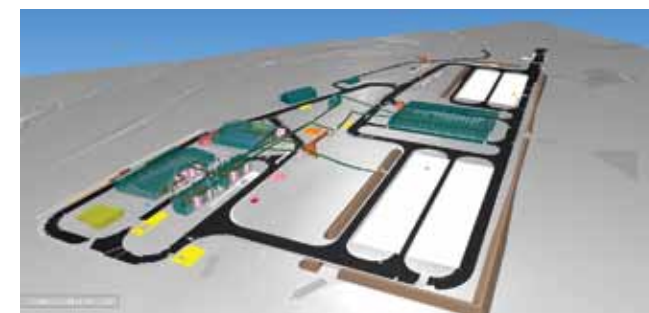
Agripower Processing Facility
(Queensland, Australia)

Agripower is mining diatomaceous earth (a fertiliser booster) in northern Queensland. Their processing facility requires major power supply, not easily sourced from the local electricity grid. SMEC is assisting Agripower to minimise electricity usage, and provide a power supply integrating solar, diesel and grid-based energy. SMEC is undertaking fuel profiling, fuel source selection, electrical engineering and network studies.

Solmessis Queensland Solar Farm
(Queensland, Australia)

With construction commencing in 2013, Solmessis is developing an 80 MW solar power station in 20 MW stages. Located near a large gas-fired generator in central-west Queensland, the station will include driven pile footings and high quality solar panels. SMEC is acting as the Owner's Engineer (during financial closure), providing field layout concepts, energy output modelling and electrical design.

Devro Cogeneration Project
(New South Wales, Australia)

Devro provides collagen products to the food industry via two manufacturing facilities in Bathurst. The natural gas cogeneration plant generates 1.2 MW of electricity and 8 tph steam for the manufacturing facility, reducing Devro's Greenhouse Gas emissions by 27%. SMEC provided design, procurement and construction management services from feasibility study stage through to commissioning of the plant.

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, 17
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; Geotechnics and Tunnels; Environment; Hydropower and Energy; Mining, Oil and Gas; 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.	Acquisition of Vela VKE (South African engineering firm with 1,000 employees and 12 offices).	
	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 2012.	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.	40–42
	3.13	External assurance.	Not used for this 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
	4.13	Memberships in associations.		18
	4.14	List of stakeholder groups engaged by the organisation.		16
	4.15	Basis for identification and selection of stakeholders.		16
	4.16	Approaches to stakeholder engagement.		16
	4.17	Key stakeholder topics and concerns.		16
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.		22
	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.**		**34–37**

GRI Index (continued)

	GRI Indicator	PI Description	Comments	Page Number
Environmental	EN18	Greenhouse Gas reduction initiatives.		34–37
	EN19	**Ozone depleting substances by weight.**		**34-37**
	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.**		**8-9, 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).	22–27
	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**
	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.**		**22**
	LA15	**Return to work after parental leave.**		**22**
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.**	