



# SMEC Holdings Limited

## Sustainability Report

2010-2011



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## 1. A MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

SMEC's commitment to corporate social responsibility is entrenched in the way we do business – it is part of our culture. SMEC is one of the world's leading engineering and development consultancies and has significant opportunities to make positive contributions to sustainability.



In April 2010, SMEC became a signatory to the United Nations Global Compact (UNGC). Being a corporate participant of the UNGC has solidified SMEC's commitment to the long-term integration of SMEC's business with the UNGC's ten principles in the four areas of human rights, labour, the environment and anti-corruption.

This report highlights SMEC's commitment to building sustainable practices into every aspect of our business. SMEC's three focus areas are: People; Community; and Sustainability and Environment. Within Australia, SMEC has made good progress against set targets. However, challenges remain within our international operations – this will be the focus in the next reporting period; addressing areas where targets are either not being met, or are not in place.

SMEC recognises the importance of diversity in the workplace. Diversity through race and religion has been at the heart of the Company since SMEC was founded in 1949, whereby the majority of employees were Catholic, Orthodox and Protestant migrants from Eastern and Western Europe. SMEC's continued focus on diversity has strengthened over the decades. Today, a key focus is gender diversity. At Board level, we have recognised that it is a business imperative to attract and retain a greater proportion of women, particularly in senior positions. We have recently developed a Gender Diversity program to address this commercial issue. I personally, look forward to the gender balance at SMEC improving.

Another focus area this year has been our commitment to improving the development, health and safety of our most important assets, our people. In the development area we implemented a Career Path Framework to provide employees with specific career path options available to them within SMEC's global business. The Framework emphasises SMEC's commitment to the development of employees and is used as the basis for targeted learning and development programs and equitable reward and recognition. In the health and safety realm we focused on hazard identification reporting, an area which we will continue to focus on in the next reporting period. Our performance maintained a steady trend across the 'Lost Time Injury Frequency Rate' with zero deaths and permanently disabling injuries reported.

Communities are one of our key stakeholder groups and as a Company we continued to deliver nation building infrastructure projects that positively impacted local communities. Another way we enhance the lives of communities is through the SMEC Foundation. During this reporting period, \$182,000 was raised by the SMEC Foundation through significant employee contributions and other fundraising activities. These funds were donated to 18 projects in nine countries in the areas of community development, health, education, emergency relief and the environment.

SMEC's ongoing commitment to environmental sustainability gained momentum this year with the adoption of the revised Corporate Environmental Policy Statement, released in May 2010. This

policy outlines SMEC's commitment to the environment and highlights SMEC's continuous improvement in environmental management systems. In this reporting period, SMEC commissioned an external provider to research and report on Greenhouse Gas (GHG) emissions in SMEC's Melbourne office. We will use the results of this report as a baseline for energy consumption in other SMEC offices.

I would like to thank all of you who have contributed to the growth of SMEC and our Corporate Social Responsibility (CSR) journey. We will continue to evolve and strengthen our focus on CSR and SMEC's management will work closely with all of our employees, business partners, clients and communities to improve the way in which CSR considerations are integrated into our business operations.



**Ross Hitt**  
**SMEC Chief Executive Officer**

## 2. OUR SUSTAINABILITY STRATEGY

Society increasingly holds multi-national businesses accountable for responding to worldwide challenges. Stakeholders believe companies need to be built for long-term prosperity and focus on a sustainable bottom line which considers: culture, society, the economy and the environment.

The world's natural resources are rapidly being depleted. Biodiversity is under threat due to climate change, diminishing oil reserves and deforestation. The impact on the natural environment is creating opportunities for greater innovation in engineering strategy and design; clients are seeking sustainable and environmentally friendly solutions.

SMEC seeks to be a good corporate citizen in all aspects of its operations and activities. To this end, SMEC has brought together a series of operating principles under the broad scope of Corporate Social Responsibility (CSR) to serve in setting the direction for employees in all aspects of their work. All SMEC employees and contractors are encouraged to adopt CSR considerations in their day-to-day work. SMEC's main CSR focus areas are: People, Community and Sustainability and Environment.

### **People**

SMEC believes its people are its most important asset. SMEC employees are critical to SMEC's continued success. SMEC will maintain an organisational structure which allows the Company to grow sustainably (in line with market conditions) and invest in strategies to attract, retain and develop skilled employees. SMEC is committed to protecting the human rights and health and safety of all individuals affected by the Company's activities including employees, contractors and the general public.

### **Community**

SMEC will continue to undertake projects committed to social enhancement, development and improved living standards in some of the world's poorest communities. SMEC will continue to provide small-scale grant support to community groups and development projects throughout Australia and in the many countries in which SMEC operates through the SMEC Foundation. The SMEC Foundation's principal areas of focus include health, education, environment, disability, community development and emergency relief. SMEC will continue to uphold all aspects of human rights including abolition of child labour, promotion of the rights of indigenous people and eradication of discrimination.

### **Sustainability and Environment**

SMEC will invest in a sustainable business to achieve long-term prosperity, which will focus on a sustainable bottom line, including performance metrics to reflect achievements in economic, environmental, social and cultural outcomes. SMEC is committed to undertaking its activities in an environmentally responsible manner and effectively managing any risks that may lead to an impact on the environment.

SMEC will continue to provide integrated environmental services including Environmental Impact Assessments, climate change adaptation, renewable energy services, water resource studies, waste management, environmental management and pollution control. SMEC will continue to provide socially and environmentally responsible advice and develop customised outcomes that best meet client and sustainability objectives.

### 3. OUR REPORT

This is SMEC's first annual Sustainability Report. The report covers SMEC's economic, environmental and social performance from 1 April 2010 to 31 March 2011. The information in this report pertains to SMEC's Australian operations only and does not include SMEC International or any international subsidiaries and joint ventures.

SMEC's sustainability and CSR policies and procedures are still in the development phase and were initially implemented in Australia only. SMEC plans to expand the CSR program throughout Australia and the international operations over the coming 12 months. SMEC will be in a position to report in more detail on the Australian operations and on certain international operations in SMEC's 2012 Sustainability Report.

For SMEC's first Sustainability Report, the objective was to collect and benchmark data in areas in which SMEC performed particularly well and areas which SMEC plans to improve upon. The reporting process, and the report itself, gave stakeholders the opportunity to reflect on sustainability within SMEC. In 2012, SMEC will build on the experience gained this year and report in more depth.

SMEC has applied the Global Reporting Initiative (GRI) G3 guidelines to a self-declared Level B. The GRI G3 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. All monetary figures in this report are in Australian dollars, unless otherwise stated.

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. For further information regarding this Sustainability Report, please contact: [sustainabilityreport@smec.com](mailto:sustainabilityreport@smec.com)

## 4. OUR COMPANY

SMEC is a professional services firm with Australian origins and a global footprint that provides high-quality consultancy services on major infrastructure projects. SMEC has over 4,000 employees and an established network of 47 offices in 27 countries around the world.

SMEC provides consultancy services for the lifecycle of a project to a broad range of sectors, including: Transport; Water; Natural Resources and Environment; Geotechnical, Mining and Tunnelling Services; Buildings, Urban Development and Local Government; Energy and Renewables; and Social Development.

SMEC's consultancy services include: pre-feasibility and feasibility studies, field investigations, laboratory testing, computer modelling, detailed design, tender and contract management, construction supervision, quality assurance, commissioning, operation and maintenance, training and project management.

Since its creation, SMEC has delivered thousands of civil, transport, water, environment and power projects in more than 80 countries. During this reporting period, SMEC had 1,073 active projects in Australia. SMEC's services generate economic wealth and provide essential services that contribute to national development in some of the world's fastest growing economies.

SMEC works closely with clients to deliver cost-effective practical project outcomes. SMEC's Australian and international clients include local and multi-national contractors, government departments, statutory bodies, private sector organisations, utility providers and International Financial Institutions (IFIs) responsible for funding and coordinating major infrastructure projects.

The value of SMEC's people and client-focused solutions are shared beyond local and regional borders, providing collaborative project solutions to SMEC's global client base. SMEC leverages its reputation and geographic footprint through the adoption of a localisation model. SMEC invests in local operations and nurtures local talent. This local investment increases the skill level of staff in the communities in which SMEC operates and enhances SMEC's local capacity to deliver quality projects.

### **Vision**

To be a global leader in high quality solutions.

### **Mission**

To partner in the economic development of nations by meeting the needs of a diverse range of clients and communities through professional excellence and innovation. Deliver returns to our shareholders and rewarding careers for our people.

### **Values**

The SMEC Spirit embodies a pride and 'can do' approach, born from the legends of the 'Snowy Scheme', one of Australia's greatest nation-building achievements.

The SMEC Spirit is at the core of the Company's culture and values. The SMEC Spirit has bred a strong sense of identity which drives performance. The SMEC culture is one of technical excellence, with an innovative and determined approach to world class service delivery. A sense of the Company's proud traditions and the continuation of its pioneering spirit are key elements defining SMEC's Spirit - today and into the future.

## 4.1 Our Divisions

SMEC operates in diverse geographic regions implementing challenging projects in some of the world's most demanding operating environments. SMEC uses its global expertise to successfully deliver projects through its five stand-alone divisions: Australia, Africa, the Middle East and North Africa, South Asia and Asia Pacific.

### Australia

SMEC has operated in Australia since 1949 (although not in its current form). SMEC's first permanent office in Australia opened in Cooma, New South Wales, in 1970. SMEC has twelve permanent offices in Australia: Adelaide, Brisbane, Canberra, Cooma, Geelong, Gold Coast, Melbourne, Newcastle, Sunshine Coast, Sydney, Townsville and Traralgon. SMEC's operations are broken into three regions within Australia: Southern (Victoria and South Australia), Central (New South Wales and the Australian Capital Territory) and Northern (Queensland and the Northern Territory).

SMEC is an established player in the Transport sector in Australia, having delivered major projects including EastLink Tollway in Victoria, the Tugun Bypass in Queensland and the Northern Expressway in South Australia. SMEC has a reputation for excellence in the Water sector, having undertaken work on the Adelaide, Sydney and Victoria Desalination Plants. SMEC is also prominent in the Natural Resources and Environment sector, having secured the sought after 'Preferred Provider' agreement for environmental services to the Murray-Darling Basin Authority.

In the Buildings, Urban Development and Local Government sector, SMEC provides high-quality consultancy services for projects including Caroline Springs in Victoria and Flemington Road Estate in the Australian Capital Territory. SMEC also has extensive experience in Australia in the Energy and Renewables sector and the Geotechnical, Mining and Tunnelling Services sector.

### Africa

SMEC first commenced operations in Africa in 1976. SMEC's first office in the division opened in Maseru, Lesotho, in 1996. A permanent divisional head office opened in Dar es Salaam, Tanzania, in 2001. SMEC has nine permanent offices in Africa: Botswana, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Tanzania and Uganda.

In Africa, SMEC has a proven track record in the provision of integrated services for Transport sector projects, having delivered the Francistown to Matsiloje Road project in Botswana and the Dar es Salaam Bus Rapid Transport Infrastructure Project in Tanzania. SMEC is also dominant in the African Water sector, working on major dam projects including the Lotsane Dam in Botswana and the Magwagwa Dam in Kenya and in Mozambique the Chimoio, Gondola and Manica Water Supply Project.

SMEC's Energy and Renewables sector experience in Africa is strong. SMEC has delivered feasibility studies for the Karuma Interconnection Project in Uganda and managed the Aboadze-Volta 330kV Transmission Line Project in Ghana. In Africa, SMEC also has experience in the Natural Resources and Environment, Social Development and Buildings, Urban Development and Local Government sectors.

### Middle East and North Africa

SMEC has operated in the Middle East and North Africa division since 1995. SMEC's first office in the division opened in Dubai, United Arab Emirates (UAE), in 1999. In 2003, an office was established in Abu Dhabi, UAE, which (in 2008) became the permanent head office for the division. SMEC has three permanent offices in the Middle East and North Africa: Abu Dhabi, Kuwait and Qatar.

SMEC has extensive expertise in the Transport sector in the Middle East and North Africa, having completed the King Abdul Aziz Motorway Maintenance Project in Kuwait and the West Bay Roads and Infrastructure Project in Qatar. SMEC's outstanding success in the Buildings, Urban Development and Local Government sector continues to grow with projects including the Qatar State Mosque and Kuwait University City.

SMEC is a key consultant in the Natural Resources and Environment sector in the Middle East and North Africa, having designed and managed a large waste management project in Abu Dhabi and a land farm at Dukhan Fields in Qatar for remediation of contaminated soils. SMEC's Middle East and North Africa division also has experience in the Energy and Renewables, Geotechnical, Mining and Tunnelling Services and Social Development sectors.

### **South Asia**

SMEC's South Asia experience dates back to 1968. SMEC's first office in the division opened in Dhaka, Bangladesh, in 1978. SMEC has fourteen permanent offices in South Asia; eight offices in India, two offices in Pakistan and one office in Afghanistan, Bangladesh, Kazakhstan and Sri Lanka.

SMEC has undertaken diverse projects within the Transport sector in South Asia including the Padma Multi-purpose Bridge in Bangladesh and the Hairatan to Mazar-e-Sharif Railway in Afghanistan. In the Water sector, SMEC has become the consultant of choice for many contractors, working on a water study for the Reko Diq Copper and Gold Mine in Pakistan and the Uttar Pradesh Water Sector Restructuring Project in India.

In the Social Development sector, SMEC has provided technical assistance for projects such as the Emergency Cyclone Recovery and Restoration Project in Bangladesh. In the Buildings, Urban Development and Local Government sector, SMEC managed the design of the chancery building for the Australian High Commission in Sri Lanka. SMEC also has experience in the Geotechnical, Mining and Tunnelling Services, Natural Resources and Environment and Energy and Renewables sectors in South Asia.

### **Asia Pacific**

In 1962, SMEC commenced operations in Asia Pacific. SMEC's first office in the division opened in Kuala Lumpur, Malaysia, in 1972. SMEC has nine offices in the division: China, Hong Kong, Indonesia, Malaysia, Mongolia, Papua New Guinea, the Philippines and two offices in Vietnam.

In the Asia Pacific division, SMEC delivers robust, innovative solutions for Energy and Renewables projects such as the Nam Ngum Three Hydropower Project in Lao PDR and the Puyo Hydropower Plant in the Philippines. SMEC's successful project delivery has secured numerous projects in the Social Development sector including the Indonesia Infrastructure Initiative and the Transport Sector Support Program in Papua New Guinea.

SMEC provides cost-effective Geotechnical, Mining and Tunnelling consultancy services in Asia Pacific, including planning and civil engineering services for the Shenzhen Quarry in China and tunnelling services for the South Island Line rail project in Hong Kong. SMEC also has experience in the Transport, Water, Natural Resources and Environment and Buildings, Urban Development and Local Government sectors in Asia Pacific.

## 4.2 Our Office Locations



Africa
  Middle East and North Africa
  South Asia
  Asia Pacific
  Australia

## 4.3 Industry Awards

During this reporting period, SMEC received numerous industry awards for technical excellence, professional service, community service and the achievements of SMEC's talented employees.

### NSW Water Industry Awards, Australian Water Association (AWA)

- Infrastructure Projects category: Innovation Award, Tallowa Dam Fishlift

### BRW ANZ Private Business Awards

- Most Successful Private Business Trading Overseas (Asia)

### Engineering Excellence Awards, Engineers Australia (Queensland Division)

- Engineering Excellence Award (Project Management category): Northern Busway - Royal Children's Hospital to Windsor
- Overall Award for Engineering Leadership: Northern Busway - Royal Children's Hospital to Windsor

### Australian Institute of Project Management (Queensland Chapter)

- Project Management Achievement Award: Northern Busway - Royal Children's Hospital to Windsor

### Consult Australia

- Silver Award of Highly Commended (Aid Projects category): Earthquake and Tsunami Emergency Support Project (Livelihood and Microfinance Sub-component) in Indonesia
- Silver Award of Highly Commended (Transport and Civil category): Northern Hume Alliance

## 5. OUR CORPORATE GOVERNANCE

### 5.1 Organisational Structure

SMEC Holdings Limited (SMEC) is an unlisted Australian public company, whose shares are predominantly held by current and former employees (or their related entities). SMEC's Constitution allows only up to 10% of shares to be held by non-employees. SMEC's organisational structure has evolved to support the Company's diverse regional and functional matrix by operating through a number of companies:

- SMEC Operations Pty Ltd: is wholly owned by SMEC Holdings Ltd and controls SMEC's core activities in the provision of consulting services.
- SMEC International Pty Ltd: is wholly owned by SMEC Operations Pty Ltd and is SMEC's operating company for international projects. Contracts for work overseas are predominately entered into by this company (with the exception of local subsidiary companies which contract for work in their own right).
- SMEC Australia Pty Ltd: is wholly owned by SMEC Operations Pty Ltd and is SMEC's operating company for Australian projects. Contracts for work in Australia are predominantly entered into by this company (with the exception of local subsidiary companies which contract for work in their own right).
- SMEC Services Pty Ltd and Engineering Consultants Contracting Ltd: employs all permanent and contract staff (with the exception of some staff employed by local international subsidiaries which employ local staff).
- A number of fully or partially owned subsidiary companies, linked to SMEC International or SMEC Australia, with a regional or functional focus have been established to target specific markets.
- Special purpose companies have been set up for specific projects and activities.

Please see Figure 1 for a visual representation of SMEC's organisational structure.

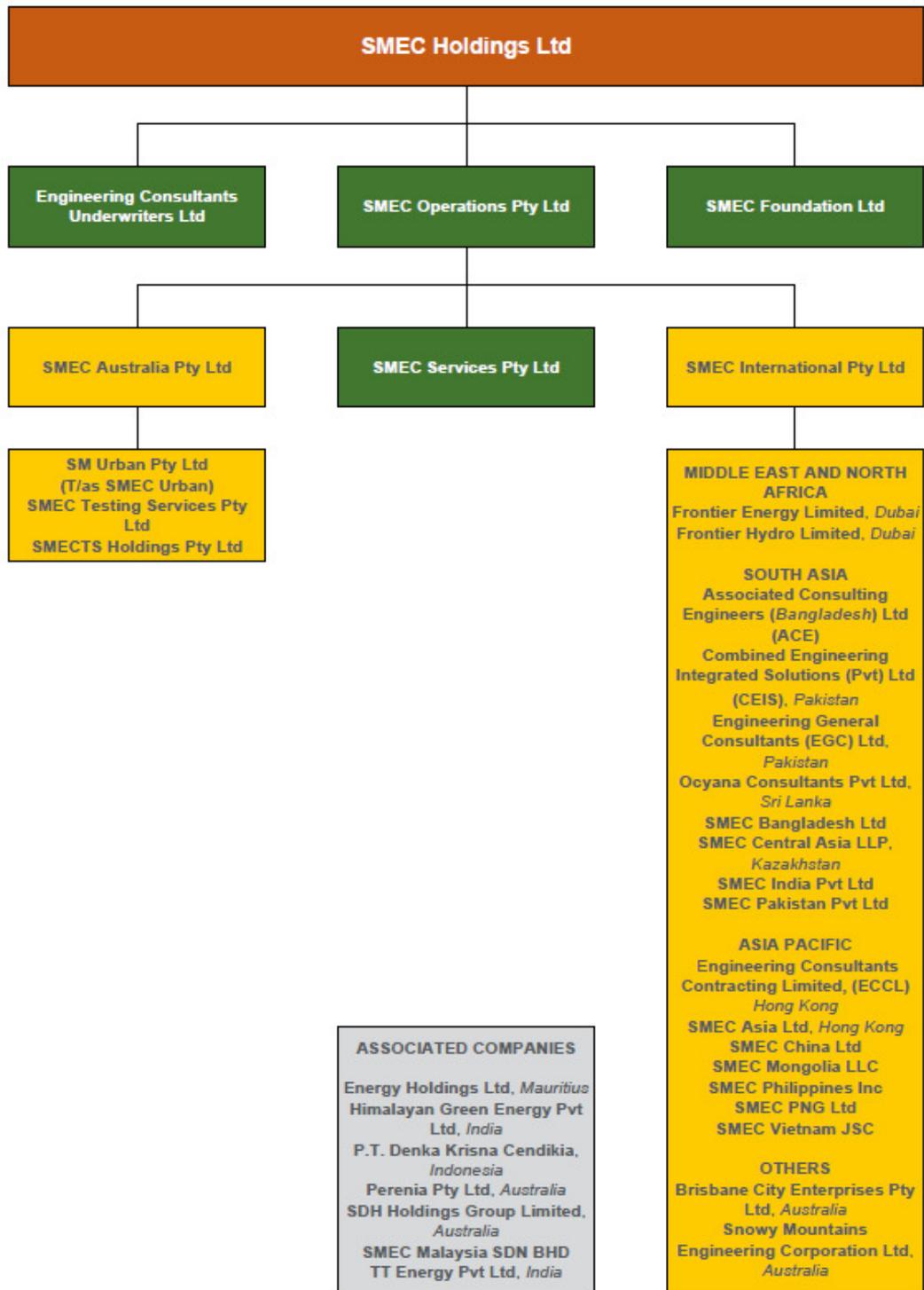
### 5.2 Board of Directors

The Board is committed to building SMEC's corporate governance framework and is responsible for formulating SMEC's strategic direction. It acts on behalf of the shareholders and is accountable for all aspects of the Company's financial, operational and ethical performance. The Board works closely with senior management in setting goals, budgets, plans and policies and in identifying and managing risks and opportunities. Responsibility for the day-to-day management of SMEC is delegated by the Board to the Chief Executive Officer and his executive team.

SMEC's Board is composed of two Executive Directors and five Non-Executive Directors. The Board follows a written charter which sets out the roles and responsibilities of the Board and management. The Board meets formally at least eight times a year with additional meetings held as required. The composition of the Board is determined using the following principles:

- the Board will comprise a maximum of eight members, a majority of whom should be independent Non-Executive Directors
- the positions of Chairman and Managing Director or Chief Executive Officer will be held by separate people
- the Chairman will be elected by the Board
- there is benefit to the Company in maintaining a mix of Directors from different backgrounds with complementary skills and experience
- Directors will retire by rotation at the close of the fourth Annual General Meeting following their last election and if eligible may stand for re-election at that meeting

Figure 1. SMEC's Organisational Structure



### 5.3 Independence of Non-Executive Directors

The Board should be comprised of a majority of independent Non-Executive Directors and the Chairman of the Board should be a Non-Executive Director. The Board considers an independent Director to: be independent of management; be free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement; otherwise meet the criteria for independence set out in the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX Corporate Governance Council. The Board is currently made up of seven directors, four of whom are independent Non-Executive Directors.

### 5.4 Board Committees

The Board delegates certain powers to three committees. Each has written terms of reference which are subject to annual review. The committees are:

- Audit and Risk Committee
- Remuneration Committee
- Nomination Committee

#### **Audit and Risk Committee**

The Audit and Risk Committee must have at least three members, consist of only Non-Executive Directors, have a majority of independent Directors and have an independent chair (who is not the Chairman of the Board). The Audit and Risk Committee meets as often as required but generally every quarter. The Committee's role is to assist the Board as follows:

- review financial reporting, the appropriateness of accounting policies and the application of those policies
- identify, assess, monitor and manage the Company's material risks
- ensure that internal control systems and other procedures are operating so as to manage financial risks and to ensure that the accounts are materially complete and accurate
- oversee the adequacy of processes and controls established to identify and manage areas of potential risk and to safeguard the Company's assets
- review annual and half-yearly reports for recommendation to the Board and any other financial information published by the Company
- monitor compliance with accounting policies, financial reporting and disclosure requirements
- ensure that financial information is provided to investors and the Board in an accurate and timely manner
- manage the Company's relationship with the external auditor

#### **Remuneration Committee**

The Remuneration Committee must have an independent chair and be comprised solely of Non-Executive Directors, a majority of whom are independent. The Remuneration Committee meets as often as required but at least twice a year. The Committee reviews and makes recommendations to the Board on matters relating to remuneration of the Directors and its Senior Executives. The Remuneration Committee ensures:

- remuneration policies and procedures attract, motivate and retain Directors and Senior Executives who possess the highest possible degree of skill to pursue the long-term success of the Company

- Directors and Senior Executives are remunerated fairly and responsibly, with regard to the performance of the Company, the Directors and Senior Executives and the general remuneration environment

### **Nomination Committee**

The Nomination Committee must be chaired by a Non-Executive Director, consist of at least three members and maintain a majority of independent Directors. The Nomination Committee's role is to establish a Board with an effective composition. The Nomination Committee ensures that:

- individual Directors, the Board and its committees possess an appropriate level of skill and expertise
- the performance of individual Directors, the Board and its committees are monitored and assessed on a regular basis
- the Board and its committees have an appropriate mix of independence
- the Board implements strategies on gender diversity and diversity in general
- the Board has implemented appropriate succession plans for its own members and the Company's Senior Executive team
- the Board has appropriate Director induction, access to information and education policies and practices in place

## **5.5 Executive Management**

The Executive Committee is a committee of the Chief Executive Officer. The Executive Committee is responsible for all matters which are not reserved for the Board, the Audit and Risk Committee, the Remuneration Committee or the Nomination Committee. Through his Chairmanship of the Executive Committee, the Chief Executive Officer monitors the operations of the Company and ensures that the strategy and policies set by the Board are implemented.

## **5.6 Code of Conduct**

SMEC has developed a Code of Conduct which applies to all Directors and employees. The Code of Conduct is regularly reviewed and updated to ensure it reflects the highest standards of behaviour and professionalism. The Code of Conduct requires that SMEC personnel act with the utmost integrity, objectivity and in compliance with the law and the Company's policies.

A copy of the Code of Conduct is presented to, and discussed with, each new employee as part of their induction training. The Code of Conduct encourages employees who are aware of unethical practices within SMEC or breaches of SMEC's values to report these. This can be done anonymously.

SMEC also has a Code of Conduct for Directors and Senior Executives. This separate Code of Conduct applies an extra layer of desired behaviours on Directors and Senior Executives due to their leadership responsibilities and duty to represent SMEC publicly.

## **5.7 Risk Assessment and Management**

The Board (through the Audit and Risk Committee) is responsible for ensuring that SMEC has adequate risk management, compliance, internal control systems and regular reporting policies in place. Sustainability is embedded in these risk management policies. The policies are designed to

ensure strategic, operational, legal, reputational and financial risks are identified, assessed, managed and monitored.

To complement these policies, SMEC has a Risk Management Framework. The objective of the framework is to integrate the management of risk in a holistic fashion across all operations and management decisions. SMEC also adopts external quality management and assurance systems to ensure the effectiveness of the framework and to ensure that SMEC's services are delivered in a risk-free, safe and environmentally sustainable manner. Quality Management Systems include:

- Quality Management ISO 9001:2008
- Environmental Management ISO 14001:2004
- Occupational Health and Safety AS 4801:2001
- Risk Management ISO 31000:2009

## 5.8 Our Board Members

### **Peter Busbridge**

#### **Chairman**

Peter joined SMEC in 1974 and has held the positions of Chief Operations Officer, Executive Director Australia and Chief Executive Officer. 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).

### **Roger Bayliss**

#### **Non-Executive Director**

Roger joined SMEC in 2002. He is a Non-Executive Director of SMEC, Chairman of the Remuneration Committee and a SMEC Foundation Board member. Roger's career has spanned 43 years and includes management, policy development, marketing and international trade and investment. Roger was a member of the executive management team at the Australian Trade Commission (Austrade). Roger 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.

### **Max Findlay**

#### **Non-Executive Director**

Max was appointed Non-Executive Director of SMEC in 2010. He 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 listed company Skilled Group Ltd. 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.

### **Ross Hitt**

#### **Managing Director and Chief Executive Officer**

Ross joined SMEC in 1980. Ross was appointed Managing Director and Chief Executive Officer of SMEC in 2009, after serving as Managing Director of SMEC 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.

#### **Alastair McKendrick**

##### **Director and Group Finance Director**

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 extensive experience in the management of large organisations and consulting to small-to-medium sized organisations. For over 30 years, he has worked across a variety of industry sectors throughout Australia, Hong Kong, New Zealand and the United Kingdom. Alastair holds a Bachelor of Business (Accounting) from Monash University and is a Fellow of Certified Public Accountants Australia.

#### **Bob Scott**

##### **Non-Executive Director**

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. He 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**

Kate is a Non-Executive Director of SMEC who was appointed in 2010. Kate is currently a Non-Executive Director on the Boards of Pacific Hydro Pty Ltd, Sonic Healthcare Ltd, Investec Bank (Australia) Ltd, Transfield Services Infrastructure Ltd, Australian Energy Market Operator Ltd, the Accounting Professional and Ethical Standards Board, ColInvest Ltd, Australian Unity 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.

## **5.9 Our Executive Committee Members**

#### **Ross Hitt**

##### **Managing Director and Chief Executive Officer**

Ross has been SMEC's Managing Director and Chief Executive Officer since 2009. Prior to this, Ross was Managing Director of SMEC International. Ross joined SMEC in 1980. He has over 35 years experience in engineering, development and infrastructure projects. Ross holds a Bachelor of Engineering (Civil) from Monash University and a Postgraduate Diploma in Management from Deakin University.

#### **Michael Blee**

##### **Chief Operating Officer Asia Pacific**

Michael joined SMEC in 1997 and is SMEC's Chief Operating Officer Asia Pacific. He is a management and development specialist with over 30 years experience in strategic and operational planning. Michael holds a Masters of Business Administration and a Postgraduate Diploma in Welfare Administration from Monash University and a Bachelor of Arts (Sociology) from La Trobe University.

**Neil Evans****Director Strategy and Business Development and Acting Global Manager**

Neil joined SMEC in 1993, was appointed Director Strategy and Business Development in 2009 and Acting Global manager Infrastructure in 2010. Neil has over 35 years engineering experience and has been a member of project and review boards for major infrastructure projects. 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.

**Siddique A Jafar****Acting Chief Operating Officer South Asia**

Siddique joined SMEC in 1992 and was appointed Acting Chief Operating Officer South Asia in 2010. He has over 35 years industry experience in structural design, construction supervision, quality control and project monitoring for large-scale civil engineering projects. Siddique holds a Bachelor of Engineering (Civil) from Bangladesh University of Engineering and Technology, Dhaka.

**Angus Macpherson****Director Corporate Affairs**

Angus joined SMEC in 1993. He was appointed Director Corporate Affairs in 2010. Angus has extensive experience in the development and implementation of business management systems, project management of large multi-disciplinary projects and all aspects of civil engineering. Angus holds a Bachelor of Engineering (Civil) from the University of Technology, Sydney.

**Alastair McKendrick****Director and Group Finance Director**

Alastair joined SMEC in 1999, was appointed Chief Financial Officer in 2000 and has been SMEC's Group Finance Director since 2009. Alastair is responsible for SMEC's financial management and the development of systems to meet the needs of a growing organisation. Alastair holds a Bachelor of Business (Accounting) from Monash University and is a Fellow of Certified Public Accountants Australia.

**Barry Norman****Managing Director International**

Barry joined SMEC in 2006 and is Managing Director of SMEC International. Barry provides leadership in strategic business planning, acquisition of businesses, international concession projects and the development of succession planning programs. He has over 35 years experience. Barry holds a Diploma in Civil Engineering from the Gordon Institute of Technology (now Deakin University).

**Hari Poologasundram****Managing Director Australia**

Hari joined SMEC in 1994 and is Managing Director of SMEC Australia. Prior to this, he held the position of Regional Director Central. Hari has over ten years operational management experience. His area of expertise is in planning, design and management of large engineering infrastructure projects. Hari holds a Bachelor of Science (Civil Engineering) and a Masters of Science (Civil Engineering) from City University, London.

**Figure 2. Composition of SMEC's Boards and Committees**

<b>Name</b>	<b>Date Appointed</b>	<b>Position</b>	<b>Board and Committee Membership</b>
Peter Busbridge	29 September 1992	Non-Executive Chairman	<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit and Risk</li> <li>• Nomination</li> </ul>
Roger Bayliss	4 December 2002	Independent Director	<ul style="list-style-type: none"> <li>• Board</li> <li>• Remuneration</li> <li>• Nomination</li> </ul>
Max Findlay	7 April 2010	Independent Director	<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit and Risk</li> <li>• Remuneration</li> </ul>
Ross Hitt	29 September 1992	Managing Director and CEO	<ul style="list-style-type: none"> <li>• Board</li> <li>• Executive</li> </ul>
Alastair McKendrick	24 October 2001	Director and Group Finance Director	<ul style="list-style-type: none"> <li>• Board</li> <li>• Remuneration</li> <li>• Executive</li> </ul>
Bob Scott	23 May 1996	Independent Director	<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit and Risk</li> <li>• Nomination</li> </ul>
Kate Spargo	7 April 2010	Independent Director	<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit and Risk</li> <li>• Nomination</li> </ul>
Michael Blee	2007	Chief Operating Officer Asia Pacific	<ul style="list-style-type: none"> <li>• Executive</li> </ul>
Neil Evans	2009	Director Strategy and Business Development	<ul style="list-style-type: none"> <li>• Executive</li> </ul>
Siddique A Jafar	2010	Acting Chief Operating Officer South Asia	<ul style="list-style-type: none"> <li>• Executive</li> </ul>
Angus Macpherson	2010	Director Corporate Affairs	<ul style="list-style-type: none"> <li>• Executive</li> </ul>
Barry Norman	2006	Managing Director International	<ul style="list-style-type: none"> <li>• Executive</li> </ul>
Hari Pooloogasundrum	2009	Managing Director Australia	<ul style="list-style-type: none"> <li>• Executive</li> </ul>

## 5.10 Commitment to External Initiatives

### United Nations Global Compact

In April 2010, SMEC became a signatory to the United Nations Global Compact (UNGC), the world's largest corporate citizenship and sustainability initiative. Launched in 2000, the UNGC is a voluntary initiative to complement regulation and is based on a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. SMEC joined a network of over 8,700 UNGC participants, from more than 130 countries. In becoming a signatory, SMEC will continue to promote the UNGC's ten principles and incorporate these into the Company's operations and culture.

### 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. AGIC was established in 2008 and relies on the pro-bono contribution of industry professionals to progress the rating scheme. 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.

### Association Memberships

- Australian Institute of Purchasing and Materials Management Ltd
- Australian Institute of Training and Development
- Australian Federation of Construction Contractors
- Australian National Committee on Large Dams
- Australian Water Association
- Australian Green Infrastructure Council
- Austroads
- CIGRE (International Conference on Large High Voltage Electric Power Systems)
- Consult Australia
- Engineers Australia
- Institution of Engineers Australia
- International Association of Hydraulic Research
- International Road Federation
- International Water Resources Association
- Irrigation Association of Australia
- Road Engineering Association of Asia and Australasia
- Standards Association of Australia

## 6. OUR STAKEHOLDERS

SMEC's stakeholders are those individuals and groups the Company engages with who are involved in the funding, delivery and operation of projects within the functional sectors and geographic divisions in which the Company operates. Active stakeholder participation allows SMEC to build strong and sustainable relationships with individuals and groups impacted by SMEC's activities or who can impact the Company's future development. SMEC's commitment to providing accurate, honest and timely communication to stakeholders is vital. SMEC's operations span different cultures, languages and jurisdictions and as the Company continues to identify risks and opportunities, it is imperative that SMEC actively listens to stakeholders' interests and concerns.

### Stakeholder Engagement

SMEC's approach to stakeholder engagement assists in minimising risks, identifying ideas for new services and understanding and responding to the issues that matter to the communities in which the Company operates. SMEC's three major stakeholders are employees, clients and shareholders.

### Employees

SMEC encourages two-way communication with employees. One of the major ways in which this is achieved is through the Staff Consultative Committee (SCC). The SCC provides a link to the Executive Committee; staff raise issues and concerns and make suggestions to improve SMEC as a preferred place to work. The SCC is a recognised SMEC committee, comprising a group of Continuing Employees partly nominated by management and partly elected by staff. The SCC acts in an advisory capacity to pro-actively address an agenda of issues raised by staff, as well as management briefs. The SCC addresses issues, raises awareness and contributes to change through a range of communication vehicles, including recommendations to the Executive Committee. Any matter of concern to staff can be considered by the SCC including:

- financial and human resource planning
- work organisation and structures
- introduction of new technologies, work practices, policies or procedures
- personnel management policies
- personnel training and development
- affirmative action policies and plans
- office accommodation and amenities
- employee disputes

### Clients

SMEC actively solicits feedback from clients. A number of SMEC's functional groups (particularly Urban Development) and regional offices (particularly the Brisbane office) survey clients about the Company's performance in the areas of service and technical quality at the completion of a project. In the functional groups and offices which implement this program, SMEC's managers are required to complete ten client surveys per financial year (as outlined in their KPIs). The surveys are conducted face-to-face, over the phone or via email. The survey responses are forwarded to the appropriate person for follow-up. SMEC believes that these qualitative surveys are highly valuable in relationship building and service improvement. SMEC plans to develop and implement a company-wide client feedback tool, which is likely to be linked to the Client Relationship Management (CRM) system during the year ahead.

### Shareholders

SMEC operates a policy of continuous disclosure and communication to shareholders. The Company Secretary is the appointed Officer responsible for communications with the Australian Securities and Investment Commission (ASIC). This Officer is also responsible for ensuring compliance with the continuous disclosure requirements of the Corporations Act 2001. SMEC has written policies and

procedures that focus on the continuous disclosure requirements. These procedures include a review by the Audit and Risk Committee of matters disclosed and the possible need for further disclosures at each of its meetings. The Board aims to ensure that shareholders are fully informed of all material information relating to the Company. Communication with shareholders is undertaken through: the annual report and half-yearly report which are distributed to all shareholders; media releases and other publications included on the Company's website at [www.smec.com](http://www.smec.com); and periodic mail-outs to all shareholders.

In addition, the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the Company's strategies and goals. SMEC invites the external auditor to attend the Annual General Meeting and answer shareholder questions about the audit and the annual report.

Figure 3 displays each of SMEC's stakeholder groups and the approaches to stakeholder engagement used during the reporting period.

**Figure 3. Approaches to Stakeholder Engagement**

Stakeholder	Approaches to Stakeholder Engagement
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Monthly internal electronic staff newsletter</li> <li>• CEO email announcements as required</li> <li>• Senior management email announcements as required</li> <li>• Staff Consultative Committee</li> <li>• Corporate communications (publications)</li> <li>• Intranet</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> <li>• Corporate events</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Regular progress meetings</li> <li>• Written submissions</li> <li>• Post-project client satisfaction surveys</li> <li>• Participation on key industry association committees</li> <li>• Attendance at industry functions</li> <li>• Sponsorship of industry events</li> <li>• Corporate communications (publications)</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> <li>• Corporate events</li> </ul>
<b>Contractors and Suppliers</b>	<ul style="list-style-type: none"> <li>• Tender process</li> <li>• Progress meetings</li> <li>• Corporate communications (publications and website)</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> </ul>
<b>Banks and Financiers</b>	<ul style="list-style-type: none"> <li>• Health and Safety and Sustainability reporting as required</li> <li>• Reports provided to banks by a third party company (auditor) detailing performance</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> </ul>

<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Board and Committee meetings</li> <li>• Investor updates</li> <li>• Annual General Meeting</li> <li>• Corporate communications (publications)</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> <li>• Corporate events</li> </ul>
<b>Government Authorities</b>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Written submissions</li> <li>• Participation on key industry association committees</li> <li>• Sponsorship of industry events</li> <li>• Corporate communications (publications)</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> </ul>
<b>Industry Bodies</b>	<ul style="list-style-type: none"> <li>• Participation on key industry association committees</li> <li>• Attendance at industry functions</li> <li>• Sponsorship of industry events</li> <li>• Corporate communications (publications)</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> </ul>
<b>Communities and Landholders</b>	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Community panels</li> <li>• Corporate communications (publications)</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Media relations</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> <li>• Corporate communications (publications)</li> </ul>
<b>Partner Firms</b>	<ul style="list-style-type: none"> <li>• Participation on key industry association committees</li> <li>• Attendance at industry functions</li> <li>• Sponsorship of industry events</li> <li>• Website (<a href="http://www.smec.com">www.smec.com</a>)</li> <li>• Corporate communications (publications)</li> </ul>

## 7. OUR ECONOMIC PERFORMANCE

SMEC ensures strong economic and commercial performance through sound business strategies. This generates positive results for all stakeholders including employees, shareholders and clients. During this reporting period, SMEC's revenue increased by 2.3% to \$174.8 million and SMEC's net operating profit after tax was \$8.7 million. The highlights of SMEC's direct economic impact are shown in Figure 4 (all figures are in AU\$'000).

**Figure 4. Economic Value Generated and Distributed**

<b>Economic Value Generated</b>				
	<b>Southern</b>	<b>Central</b>	<b>Northern</b>	<b>Total</b>
Revenue	58,036	69,558	47,279	<b>174,873</b>
Donations and Other Community Investments	29	109	177	<b>155</b>
Net Operating Profit After Tax	Not available	Not available	Not available	<b>8,750</b>
<b>Economic Value Distributed</b>				
	<b>Southern</b>	<b>Central</b>	<b>Northern</b>	<b>Total</b>
Operating Costs	10,148	28,613	4,969	(43,731)
Employee Compensation	30,115	57,898	25,992	(114,006)
Payments to Providers of Capital Dividend	Not available	Not available	Not available	(8,086)
Payments to Government (Tax)	Not available	Not available	Not available	(8,385)
<b>Total</b>				<b>(174,208)</b>

### **Financial Assistance Received from Government**

The Australian Government (via the Department of Innovation, Industry, Science and Research and its administrative arm AusIndustry) and the Australian Tax Office offer incentives for Australian companies through the Research and Development (R&D) Tax Concession program.

Eligible R&D activities are those considered to be innovative or which contain high levels of technical risk. The R&D Tax Concession program provides a tax deduction at 125% of expenditure on eligible R&D activities. This results in a before-tax return of 25 cents (7.5 cents after-tax) on every R&D dollar spent. There is also an incremental benefit for additional R&D carried out over a prior three year average at the premium rate of 150% for Australian owned R&D.

During this reporting period, SMEC spent \$7,907,530 on R&D activities. As a result, SMEC received \$725,739 from the Australian Government as a cashback benefit (an average of 9% after tax). Figure 5 shows the breakdown of financial assistance.

**Figure 5. Financial Assistance Received from Government**

	<b>Claimed in 2010 Tax Deduction at 125% (1/4/10 – 30/6/10)</b>	<b>Claimed in 2010 Tax Deduction at 150% (1/4/10 – 30/6/10)</b>	<b>Estimate Claim Tax Deduction at 125% (1/7/10 – 31/3/11)</b>	<b>Estimate Claim Tax Deduction at 150% (1/7/10 – 31/3/11)</b>	<b>Total (1/4/10 – 31/2/11)</b>
R&D Expenditure	\$1,534,625	\$442,257	\$4,603,877	\$1,326,771	<b>\$7,907,530</b>
Before Tax Cash Benefit	\$383,656	\$221,128	\$1,150,969	\$663,385	<b>\$2,419,138</b>
After Tax Cash Benefit	\$115,096	\$66,338	\$345,290	\$199,015	<b>\$725,739</b>

## 8. PEOPLE

People are the core of SMEC's business and their skills, experience and energy are the drivers of the Company's success. SMEC maintains a high-performance culture which promotes fairness, transparency and equal opportunity. SMEC's objectives are to enhance professional development, strengthen career planning and offer benefits to employees that contribute to their wellbeing. SMEC is committed to being an equal opportunity employer that provides:

- gender equality and cultural diversity
- a culture that encourages innovation through learning
- a strong career development program
- a full spectrum of skills, from graduates to market leaders
- opportunities for capable and qualified staff from all countries

As at 31 March 2011, SMEC had a total of 1,193 employees across Australia, as displayed Figure 6.

**Figure 6. Breakdown of Employees in Australia**

Region	Full Time	Part Time	Casual	Fixed Term Employee	Total
Southern	350	16	51	3	420
Central	413	15	44	8	480
Northern	248	7	33	5	293
<b>Total</b>	<b>1,011</b>	<b>38</b>	<b>128</b>	<b>16</b>	<b>1,193</b>

### 8.1 Equal Employment Opportunity

SMEC is committed to achieving equal opportunities for all employees in the workplace and ensuring a workplace free of discrimination and harassment. SMEC's approach incorporates 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. This commitment is based, in part, on the need to ensure that the Company complies with equal opportunity laws. SMEC strives to ensure: a workplace free from all forms of unlawful discrimination and harassment; recruitment and promotion procedures based on merit; and equal access to training and development for all employees.

### 8.2 Gender Diversity

SMEC believes that the Company will derive substantial social and economic benefits from having a genuinely diverse workplace. Accordingly, the Company is committed to promoting gender diversity. The Board has incorporated gender diversity through the Nominations Committee and actively addresses the issue at all levels of the Company.

During 2010, 27% of all new employees and 9% of graduate employees that joined SMEC were female. A total of 25% of all SMEC employees were female. This is significantly higher than the

engineering industry standard, where, according to Engineers Australia, females represent less than 10% of Australia’s total engineering workforce and 7% of graduate engineers.

SMEC submits an annual report to the Equal Opportunity for Women in the Workplace Agency (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 for the 2009-2010 financial year and will submit a report for the 2010-2011 financial year.

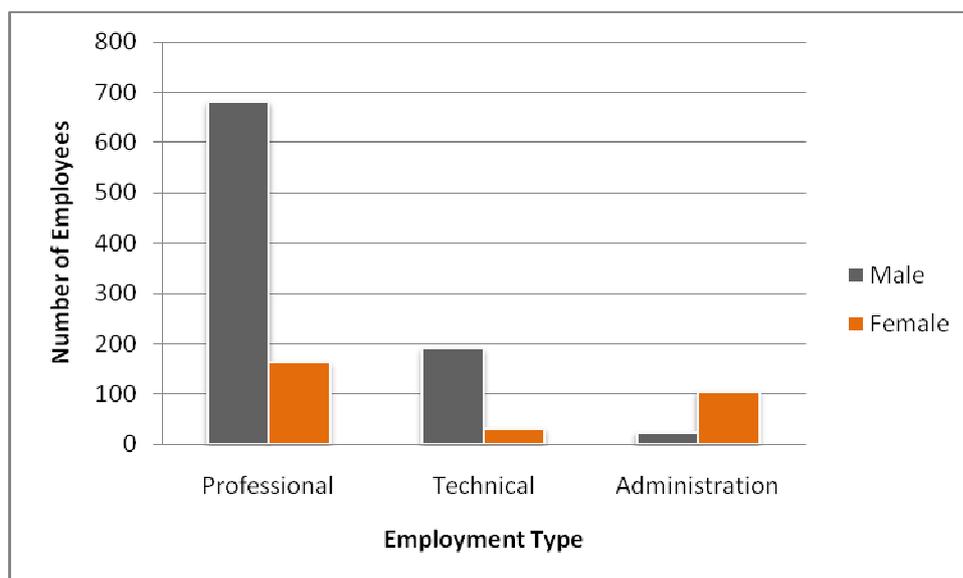
SMEC’s management has realised that increasing the number of female employees, particularly at a senior level, is a commercial issue which requires action. As such, SMEC is developing a Gender Diversity Program to address this issue. Some measures have already been introduced:

- revision of SMEC’s remuneration policy to ensure equitable salary bands across all roles
- appointment of females to senior corporate positions
- career development of female employees including international work opportunities
- flexible work arrangements, particularly for mothers
- sessions on equal opportunity, harassment and discrimination in the workplace in the Company induction program
- a minimum of one female (from Human Resources or Management) on all interview panels for internal positions
- increased focus on the provision of opportunities for female engineers to participate in industry conferences and events

A breakdown of SMEC’s employees by gender and employment type is shown in Figure 7. SMEC classifies employees into three employment types:

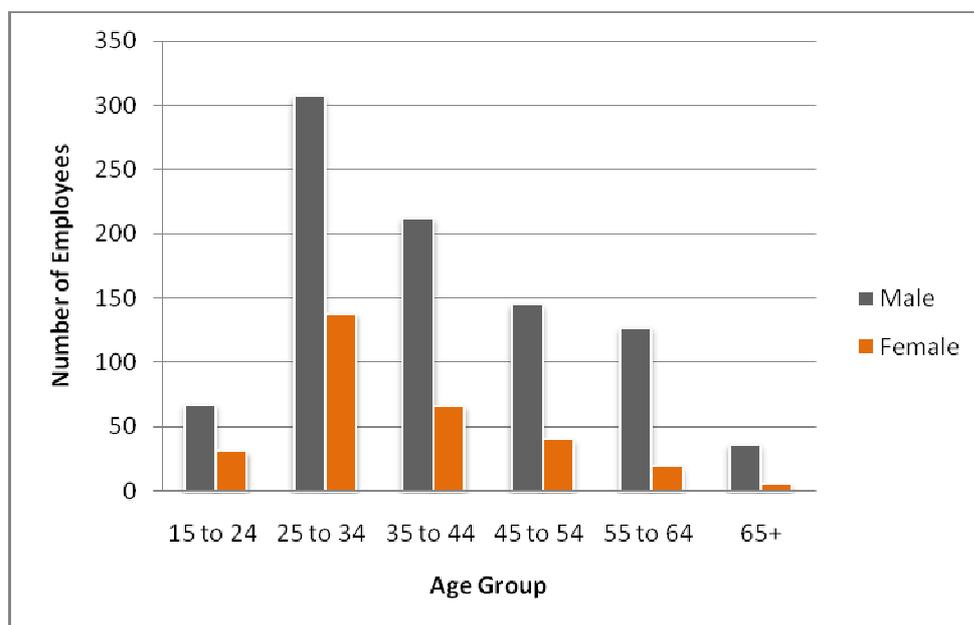
- Professional: degree qualified staff including engineers, scientists and corporate (finance, human resources, IT, legal and marketing)
- Technical: staff who are not degree qualified but have technical skills including drafters and CAD managers
- Administration: staff in administrative roles including executive assistants, receptionists and administration assistants

**Figure 7. Breakdown of Employees by Gender and Employment Type**



A breakdown of SMEC's employees by gender and age group is shown in Figure 8.

**Figure 8. Breakdown of Employees by Gender and Age Group**



### 8.3 Remuneration

SMEC's employees receive competitive salaries across all employment types. SMEC's minimum wage levels are well above legal requirements and all contracts are in line with the National Employment Standards which were introduced in Australia on 1 January 2010.

During this reporting period, SMEC began the process of reviewing salary bands across the Company to ensure equitable scales of remuneration for all male and female employees. The average male entry level salary was \$60,436 and the average female entry level salary was \$54,000. SMEC's average overall male and female salaries by employment type are displayed in Figure 9.

**Figure 9. Breakdown of Salaries by Gender and Employment Type**

Employment Type	Male	Female
Professional	\$129,541	\$95,893
Technical	\$64,963	\$69,628
Administration	\$45,266	\$56,179

SMEC recognises that male employees are currently being paid higher salaries than their female counterparts. SMEC is developing a Gender Diversity Program to address this issue and has already commenced revision of SMEC's remuneration policy to ensure equitable salary bands across all roles.

## 8.4 Career Development

SMEC seeks to attain the highest possible standards in the management and training of staff and is committed to employee development. Each individual is encouraged to reach their full potential. This benefits not only the individual, but the Company and its clients.

SMEC has a range of initiatives that enable employees to learn and develop. Key initiatives include:

### 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 and other professional member associations. The PDP assists young professionals with career planning by: developing initiatives for attaining accreditation, partnering young professionals with mentors, providing a platform for rotation to gain exposure to a variety of projects and offering networking opportunities. SMEC promotes the achievements of their Young Professionals and regularly nominates individuals for industry awards. Two of SMEC's Young Professionals were nominated for Consult Australia's Future Leaders Award in 2010. During the reporting period, there were 44 participants in SMEC's PDP, 16% were female.

### Performance Appraisals

SMEC conducts appraisals for all employees in March each year through the Company's performance, review and development system: CareerTrac. This process provides an opportunity to review an employee's development over the previous year and identify goals and learning needs for the year ahead. At the close of this reporting period, 83% of employees had participated in CareerTrac. In addition, all employees who are subject to a probationary contract receive regular performance reviews: at two months, four months and at six months, conclusion of the probationary period.

### Training

SMEC provides training in both technical and management areas as and when required by employees. SMEC will continue to improve in the area of career development and training in the year ahead including development of a company-wide Career Path Framework and succession planning. The Career Path framework will provide employees with a clearer direction of career paths that are available within SMEC's global business. The framework will incorporate: assigning clear responsibilities and capabilities for each level; assigning accurate position titles for each level; and assigning a remuneration banding for each level; and above all, the framework will ensure that there is consistency across all levels. The aim of the framework is to emphasise SMEC's commitment to employees, by providing a workplace that provides: clear position responsibilities; clear position capabilities; consistency of position titles; a basis for targeted learning and development programs; and a basis for an equitable reward and recognition framework.

The average hours of training per employee for the year in the Southern Region was 21 hours and for the Central Region it was 25 hours. Training data for the Northern Region was not available at the time of reporting. SMEC will introduce reporting systems for training over the coming 12 months to capture more detailed data.

## 8.5 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 employees, these include:

### **Parental Leave**

Female employees who have been with SMEC for a minimum of 12 months can apply for between six and 52 weeks of unpaid maternity leave. Male employees can apply for five business days at the time of the birth and if they are the primary care giver, they can apply for a further 52 weeks.

Females who have been with the Company for a minimum of 12 months are also entitled to paid maternity leave:

- three weeks full pay or six weeks half pay at the commencement of leave
- three weeks full pay or six weeks half pay when returning from leave, paid three months after returning to work

All entitlements are provided on a pro-rata basis to part-time employees. During this reporting period, only 1.5% (16) of employees utilised SMEC's parental leave benefits.

### **Flexible Working Arrangements**

SMEC provides support to employees who are parents or guardians of a child under school age, or a child with a disability through flexible working arrangements including flexible working hours, days and work locations.

### **Tertiary Education Assistance**

SMEC provides Tertiary Education Assistance to any continuing employee who has been employed by the Company for a minimum of two years. SMEC will cover up to 50% of course fees, capped at \$5,000 per annum. During this reporting period, five employees received financial assistance through this program.

### **Employee Assistance Program**

SMEC's Employee Assistance Program (EAP) was introduced in July 2009. The program aims to improve the wellbeing and lifestyle of employees and their immediate dependents whose lives and work performance may be adversely affected by personal or work-related problems. Staff and dependents have access to short-term professional, confidential, independent counselling through the EAP. The EAP also includes a specific Manager Assistance Program which deals with difficult people management situations. In 2010, nine managers used the Manager Assistance Program and 27 employees used the Employee Assistance Program. This service is provided by an external provider, at no cost to the employee.

### **Corporate Health Plan**

SMEC offers all employees access to a corporate health plan through BUPA (MBF, HBA, Mutual Community). The benefits include discounted insurance rates and waived waiting periods. In 2010, 61 employees joined SMEC's Corporate Health Plan.

### **Skills Management**

SMEC provides a range of in-house programs as well as financial assistance for employees to undertake external training which develop lifelong learning and support continued employability of staff. Programs range from time-management courses to training in the Microsoft Office suite of programs to first aid training and preparing for retirement workshops.

### **Health Checks**

SMEC provides employees the opportunity to receive free, convenient and confidential health checks in the workplace. The health checks focus on the risk of heart disease and type two diabetes, and personal health issues are examined including: diet, exercise, smoking and alcohol consumption.

### **Company Subsidised Sporting Events**

Employees are afforded the opportunity to compete in (and train together for) sporting events such as the Business Review Weekly (BRW) Corporate Triathlon in the Gold Coast, Melbourne and Sydney.

SMEC covers the cost of entry fees, uniforms and event day marquees for the annual sporting events. The events include a 400m swim, a 10km bike ride and 1 4km run. The events foster the development of important corporate values such as team work and company pride and promote the benefits of a healthy and active lifestyle.

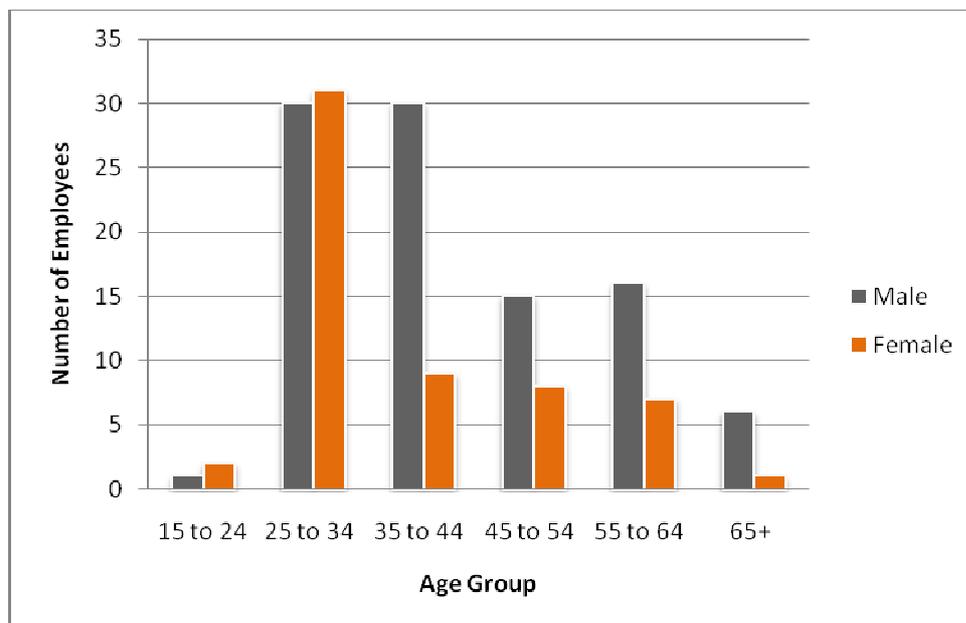
### Fresh Fruit

Fresh fruit is delivered to offices twice weekly for employees.

## 8.6 Turnover

SMEC maintains proactive policies to attract and retain quality employees. Talent management is critical to the continued success of the Company. The average turnover of employees for SMEC’s Australian operations in 2010 was 15%. The demographic profile of this turnover is consistent with the cultural and legislative environment in which SMEC operates. A breakdown of the turnover of SMEC’s employees in 2010 by gender and age group is shown in Figure 10.

**Figure 10. Breakdown of Employee Turnover by Gender and Age**



## 8.7 Health and Safety

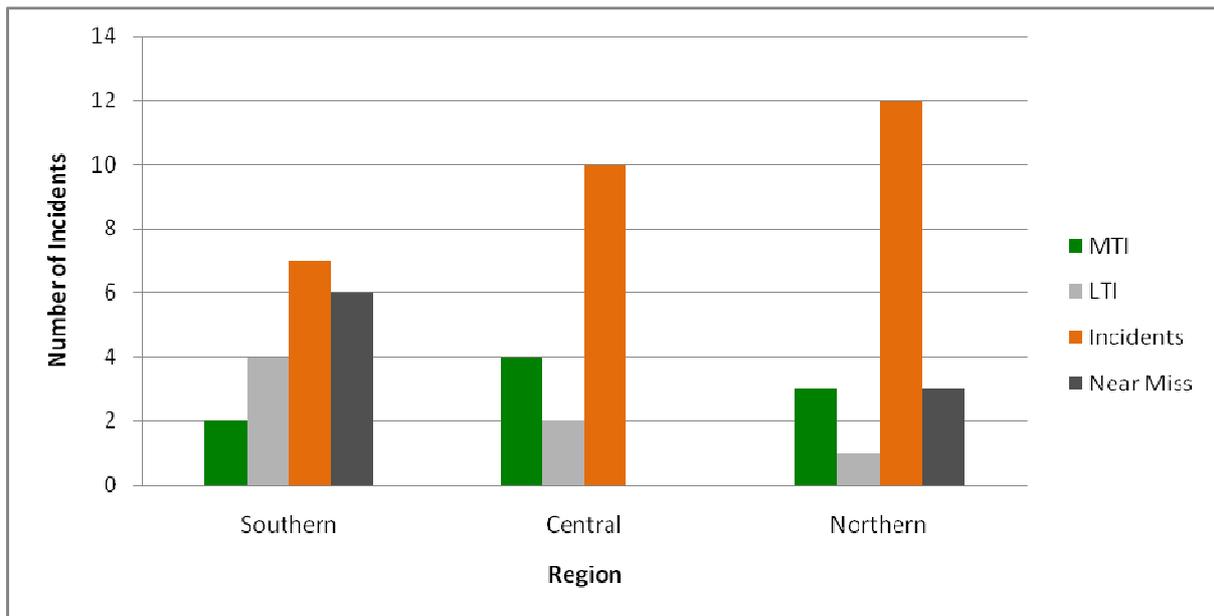
SMEC is committed to promoting and maintaining a culture where risk to health and safety is unacceptable. To meet this commitment, SMEC provides healthy and safe working conditions for all people associated with the business including employees, contractors, visitors and members of the public.

SMEC takes all practicable steps to eliminate hazards within the workplace through risk identification, assessment, control and monitoring to ensure continuing effectiveness. SMEC also develops safety awareness throughout the Company by initial and ongoing education and training for employees. SMEC ensures that all incidents are accurately reported, recorded and root causes identified. SMEC strives to continuously improve health and safety management by setting objectives, plans and performance measures and regularly reviewing progress against set targets.

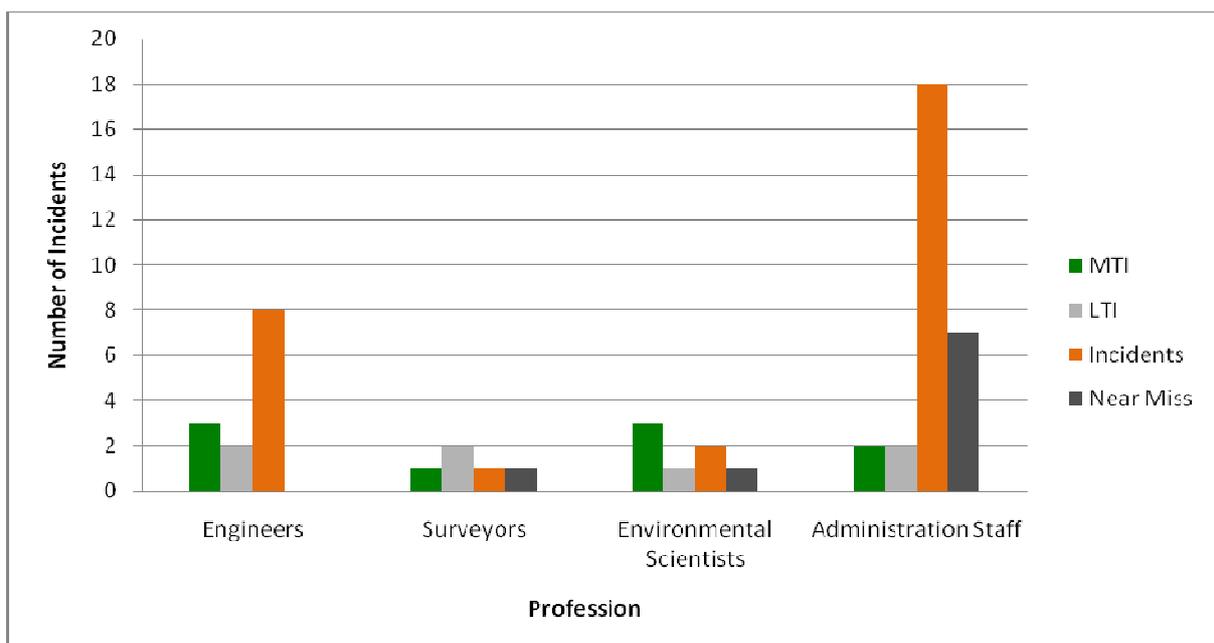
### Health and Safety Performance

During this reporting period, SMEC had the objective of 'Zero Lost Time Injuries (LTI)'. This objective was not achieved; SMEC had a total of 54 Occupational Health and Safety incidents, seven of which were reportable LTIs and nine of which were Medical Treatment Injuries (MTI). SMEC reported zero deaths or permanently disabling injuries for the year. Figure 11.1 displays a breakdown of reported incidents by region and Figure 11.2 displays a breakdown of reported incidents by profession.

**Figure 11.1 Breakdown of Reported Incidents by Region**



**Figure 11.2 Breakdown of Reported Incidents by Profession**



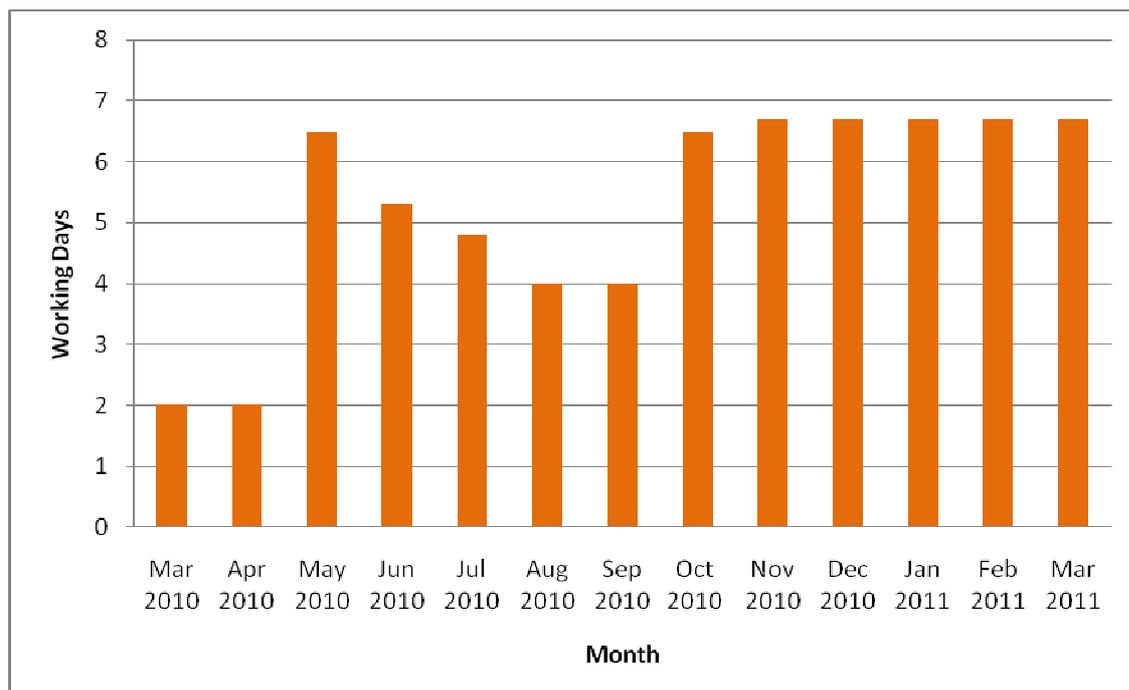
SMEC focused on increasing hazard identification reporting in an effort to achieve the Company's 'Zero Lost Time Injuries' objective. This type of reporting assists in the prevention of more serious incidents, increases awareness of risks and encourages incident reporting. A number of initiatives and procedures were also implemented including improved reporting methods, improved Job Safety Analysis and Risk Assessment processes and an improved consultation process through the Occupational Health and Safety Committee.

Figure 12 shows a comparison of SMEC's LTI rates to the National (SafeWork Australia) LTI rates. SMEC's LTI rate is lower for every profession type than the national average.

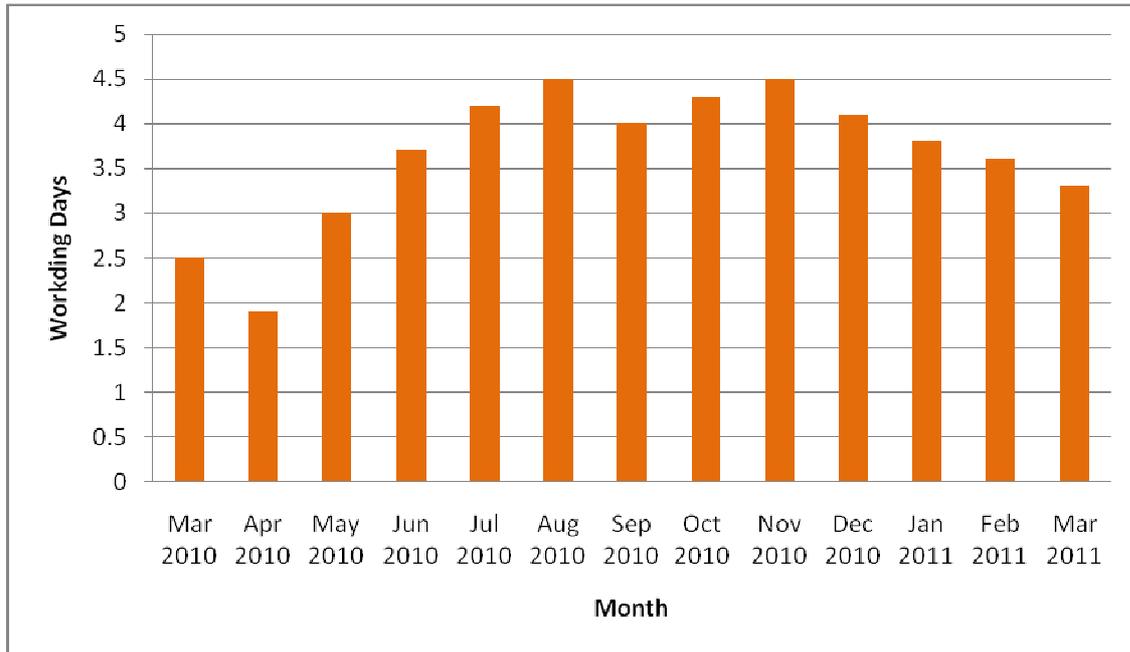
**Figure 12. Comparison of SMEC's LTI Rates to National LTI Rates**

Profession	SafeWork Australia LTI Rate	SMEC LTI Rate
Engineers Building and Engineering Professionals	1.6	1.2
Environmental Scientists and Engineers Natural and Physical Science Professionals	1.3	0.6
Surveyors Construction Tradespersons	14.5	7.1
Administration Staff	2.2	1.2
Average for all profession types	8.0	3.6

**Figure 13. Average Duration of LTIs**



**Figure 14. LTI Frequency Rate per 1,000,000 Hours Worked**



**Occupational Health and Safety (OH&S) Training**

SMEC provides all new employees with compulsory OH&S induction training. SMEC conducts additional OH&S through comprehensive training needs analysis process relative to job roles and project requirements. The completion rate for the OH&S Fundamentals training during this reporting period was 83%.

**Occupational Health and Safety Objectives and Targets for 2011**

SMEC will maintain 'Zero Lost Time Injuries' as its primary Occupational Health and Safety objective in 2011. SMEC will also work towards supporting targets:

- 10% reduction in the LTI frequency rate
- 10% reduction in the average duration of a LTI through the improvement and encouragement of a proactive return to work process
- 50% increase in hazard identification reporting through the encouragement of proactive reporting of hazards before injuries result

## 9. COMMUNITY

SMEC is committed to operating in a manner which promotes community engagement and sustainability. SMEC tries to work closely with communities in which the Company operates. Through the adoption of a localisation model, SMEC invests in local operations and nurtures local talent. This increases the skill level of staff in the communities in which SMEC operates and increases the Company's local capacity to deliver projects.

### 9.1 SMEC Foundation

Established in 2001, the SMEC Foundation provides small-scale grant assistance to community groups and development projects in Australia and internationally. The aim of the SMEC Foundation is to deliver the best possible social and development outcomes for disadvantaged communities in which SMEC operates. The SMEC Foundation's principal areas of focus are health, education, environment, community development and emergency relief.

The SMEC Foundation believes that small amounts of money, spent wisely, can produce far-reaching social and economic benefits. The SMEC Foundation operates with financial support from the SMEC Group of Companies as well as donations from staff. SMEC staff and external bodies are encouraged to nominate projects deserving of the SMEC Foundation's support. The SMEC Foundation is registered as a Prescribed Private Fund by the Australian Taxation Office. Donations over \$2 are tax deductible for Australian taxpayers donating to organisations that are registered as Deductible Gift Recipients with the Australian Taxation Office.

The objectives of the SMEC Foundation are:

- to provide small-scale grant assistance to community groups and development projects in Australia and other parts of the world in which SMEC has a presence
- to consolidate links between SMEC and the communities it serves
- 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

In June 2010, the SMEC Foundation agreed that future funding requests must align with the UNGC's core values in the areas of human rights, labour standards, the environment and anti-corruption. All applicants must sign a statement which confirms that the organisation supports and upholds the UNGC's Ten Principles.

During this reporting period, the SMEC Foundation donated over \$182,000 to 18 projects in nine countries: Australia, Cambodia, India, Indonesia, Kenya, Nepal, Pakistan, Tanzania and Uganda. Figure 15 displays a breakdown of projects and donations given by the SMEC Foundation.

**Figure 15. SMEC Foundation Donations in 2010-2011**

<b>Project</b>	<b>Location</b>	<b>Donation</b>
Sponsorship of Engineering Aid Australia's Indigenous Australian Engineering Summer School	Australia (New South Wales)	\$5,000
Donations to three staff members in SMEC's Brisbane office severely affected by the floods	Australia (Queensland)	\$8,500
Defibrillator for Kalkite Village	Australia (New South Wales)	\$1,500
Indigo Emergency Trailer	Australia (Victoria)	\$6,995
Dederang Township Water Supply Feasibility Study	Australia (Victoria)	\$9,800
Kind Cuts for Kids Foundation	Australia (Victoria)	\$3,000
Child Friendly Secondary School Project	Cambodia	\$5,000
Water Quality Improvement for Stone Quarry Workers	India	\$2,100
Sponsorship of Student at Mala'bi' Orphanage	Indonesia	\$1,200
Keriko Secondary School (Purchase of Science Equipment)	Kenya	\$4,634
Sewerage Treatment System in Junbesi Village	Nepal	\$3,000
'Light the Way' Adult Education Program	Nepal	\$2,100
Funding for Water Supply at Subedi Gaum School	Nepal	\$5,000
Construction of Emergency Housing in Flood Affected Areas of Pakistan	Pakistan	\$20,010
Dehydration Kits and Medical Supplies for World Vision	Pakistan	\$15,010
The Umoja Centre Teacher Support	Tanzania	\$4,557
Miroi Growers Cooperative Society Kindergarten	Uganda	\$5,000
Mt Elgon Self-help Community Project	Uganda	\$5,000
<b>Total</b>		<b>\$117,406*</b>

\* In addition, SMEC raised \$65,576 for victims of the Queensland floods which occurred in Australia in January 2011. At the time of this report, these funds were still to be committed.

### 9.1.1 SMEC Foundation Project Profiles



#### **Dederang Township Water Supply (Victoria, Australia)**

The Victorian Bushfire Reconstruction and Recovery Authority (VBRRA) made a request to the SMEC Foundation to fund a feasibility study for a permanent water supply to Dederang, a small community in northeast Victoria. The SMEC Foundation utilised SMEC's in-house water engineering resources and donated \$9,800 to fund the feasibility study. The study was conducted by SMEC's Victorian Water Group, which drafted a proposal addressing community objectives and innovative approaches to the water supply scheme.



#### **Kind Cuts for Kids Foundation (Victoria, Australia)**

Kind Cuts for Kids Foundation (KCFK) is an Australian not-for-profit organisation operating in developing countries which aims to: improve medical services for children; educate local health care professionals; and remedy deficiencies in health care infrastructure. Since 1993, KCFK has worked in association with the Royal Australasian College of Surgeons to help provide outreach care to countries in need of surgical and medical services. The SMEC Foundation donated \$3,000 for the purchase of Suture Boxes to be used in paediatric urology operations. Suture Boxes contain a variety of supplies which are used by KCFK doctors and assistant medical personal during surgery. KCFK also donates Suture Boxes to local communities for use by newly trained surgeons.



#### **Sponsorship of Engineering Aid Australia's Indigenous Australian Engineering Summer School (New South Wales, Australia)**

Engineering Aid Australia (EAA) funds an annual week-long live-in Indigenous Australian Engineering Summer School program. The program is hosted by the University of New South Wales and the Curtin University of Technology for indigenous year 11 and 12 high school students. The program gives students an introduction to engineering and encourages engineering as a profession. EAA also funds scholarships for students who have completed the summer school and go on study engineering at university. The SMEC Foundation donated \$5,000 (the cost of sponsoring one student) to help fund the 2011 summer school program.

## 9.2 Human Rights

SMEC is a global company that values diversity. SMEC respects cultural, linguistic, gender and religious differences in employees, clients, contractors and the communities in which the Company operates. 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.

### **Child Protection Policy**

SMEC maintains a zero-tolerance policy in relation to child abuse. Child protection policy training is a mandatory requirement for all staff and was the first e-learning module to be developed. In late 2008, AusAID (the Australian Government's overseas aid program) announced that all consultants were required to implement a zero-tolerance child protection policy and training program. SMEC's CEO ensured that the policy and training program formed part of SMEC's Code of Conduct for all existing and new employees. Child abuse includes unacceptable behaviour directly involving children or observed by children, any form of child pornography, all forms of physical and mental violence, injury, abuse, maltreatment and exploitation. The policy applies to SMEC's entire operations including management, permanent, casual and contract staff. In 2010, the completion rate for the Child Protection Policy training was 81%.

### **Forced and Compulsory Labour**

SMEC's Code of Conduct, along with a variety of other policies and procedures, seek to ensure that ethical employment and business practises are implemented across the Company. SMEC complies with national employment legislation throughout Australia. As a member of the United Nations Global Compact, SMEC is committed to the elimination of all forms of forced labour and the abolition of child labour.

### **Incidents of Discrimination**

During this reporting period, SMEC had one incident of discrimination. In late December 2010, SMEC received notice from WorkCover that a claim of sexual harassment (psychological injury) had been made. An independent investigation was immediately launched that comprehensively examined the details of the allegations. SMEC conducted detailed interviews with the parties involved and their witnesses. From the evidence obtained, SMEC concluded that the allegations could not be substantiated. The worker's compensation claim was denied by WorkCover and the matter is presently before the Anti-Discrimination Board.

### **Indigenous Rights**

SMEC works closely with clients to ensure that the rights and heritage of Australia's indigenous population are protected or restored. Where required, SMEC includes Indigenous Heritage Assessment and Management Plans as a component of Environmental Impact Assessments. These are conducted prior to the commencement of client projects.

SMEC works with clients to ensure the active participation, skill development and increased long-term employment opportunities for indigenous populations during the lifecycle of a project. SMEC's Banora Point Upgrade Alliance has an Aboriginal Trainee Program. Members of the Alliance met with the local indigenous community before work commenced on the highway project to identify and develop real training opportunities for local indigenous people. The Alliance has introduced training packages for indigenous trainees that teach skills which will enable the trainees to work on any construction site in the future. There are currently ten indigenous trainees working on the project. In addition to providing training opportunities, the project has also uncovered a number of cultural heritage sites and artefacts including numerous hidden deposits of shell and 134 stone artefacts which the project team is preserving.

## 10. SUSTAINABILITY AND ENVIRONMENT

SMEC adopted a Corporate Environmental Policy Statement in May 2010. This outlines SMEC's commitment to environmental responsibility and continual improvement in project and office environmental management systems (as required for certification to ISO 14001).

SMEC conducts all activities in an environmentally responsible manner to minimise the potential for any of SMEC's activities or outputs to cause significant adverse environmental impacts. SMEC aims to enhance beneficial environmental impacts and improve the quality of the environment for future generations. SMEC provides environmentally responsible, sustainable and practical project options and solutions to clients. SMEC also employs Ecologically Sustainable Development principles to all projects, wherever wherever possible.

### 10.1 Greenhouse Gas Emissions

SMEC commissioned Perenia to undertake a Preliminary Greenhouse Gas (GHG) Emissions Analysis for the Melbourne office over a 12 month period. SMEC provides complete carbon solutions through Perenia (a Joint Venture with Mitsui & Co and Pacific Hydro). Perenia partners with clients to: audit and assess company operations, develop strategies to manage greenhouse gas emissions and satisfy regulatory requirements, facilitate emission reduction projects and create carbon credit transactions. Perenia found that SMEC's Melbourne office had 1,315 tonnes CO<sub>2</sub>e of GHG emissions in 12 months. A breakdown of total emissions by scope is displayed in Figure 16.1.

**Figure 16.1 Breakdown of GHG Emissions by Scope**

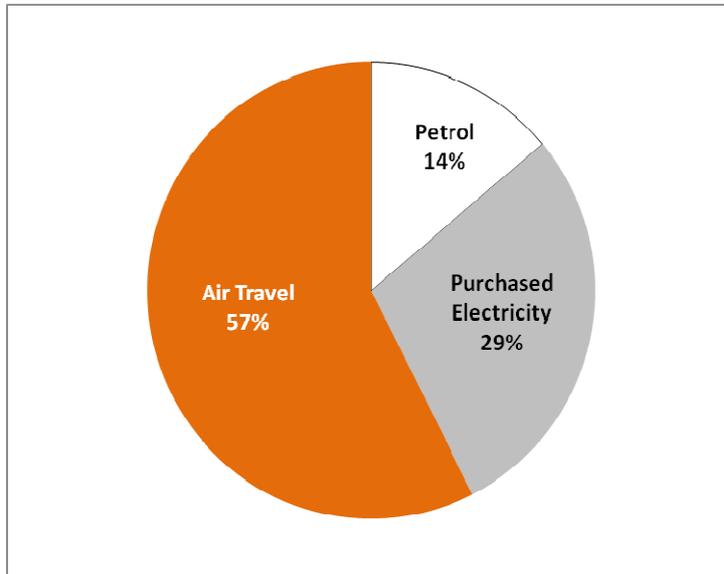
Scope 1 (t CO <sub>2</sub> e)	Scope 2 (t CO <sub>2</sub> e)	Scope 3 (t CO <sub>2</sub> e)	Total
183	376	756	<b>1,315</b>

**Figure 16.2 Definitions of Emission Types**

Emission Type	Description
Scope 1	Direct emissions which occur from sources that are owned or controlled by an organisation (diesel and petrol consumption and emissions from on-site wastewater treatment).
Scope 2	Indirect emissions from the generation of purchased electricity, heat or steam.
Scope 3	Indirect emissions which are generated in the wider community as a result of the organisation's activities. These emissions physically occur elsewhere (emissions from the extraction and production of purchased materials, the transport of purchased fuels and the use of sold products or services including air travel, taxi travel and waste to landfill).

A total of 57% of GHG emissions from the Melbourne office were attributed to scope three emissions, arising from business related air travel. A total of 29% of emissions were attributed to scope two emissions, arising from the generation of electricity used within the office. The remaining 14% of emissions were attributed to scope one emissions, arising from petrol used for transport.

**Figure 16.3 Breakdown of GHG Emissions by Scope**



**Carbon Management**

During this reporting period, SMEC undertook carbon management work including off-setting GHG emissions generated by domestic employee air travel. SMEC had an agreement with Perenia for the supply of voluntary carbon off-sets for all domestic air travel at a rate of \$5.50 per flight. Under this agreement, SMEC provided details of its monthly employee air travel to Perenia via its travel agent. This allowed Perenia to calculate total domestic flight GHG emissions using certified industry emissions coefficients. This equated to, on average, 115 tonnes CO<sub>2</sub>e per month. Figure 17 displays the kilometres of domestic air travel per month and the resultant emissions.

**Figure 17. Kilometres of Domestic Air Travel per Month and Emissions**



Emissions created by SMEC through domestic air travel were off-set by high grade Voluntary Carbon Standard carbon credits from a sugar cane 'bagasse' electricity generation project in India. Perenia successfully retired 799 Voluntary Carbon Units registered under the international Voluntary Carbon Standard on behalf of SMEC over a six month period from June 2010 to December 2010. SMEC contributed a total of \$7,470.65.

The long-term carbon management objective of SMEC is to assess GHG emissions for all offices and establish a GHG emissions baseline. Based on this, SMEC will be able to implement a company-wide Energy Management Framework to improve energy efficiency and reduce GHG emissions.

## 10.2 Environmentally Sustainable Offices

An initiative stemming from the introduction of SMEC's Corporate Environmental Policy Statement was the development of Environmental Management Plans for SMEC's Melbourne and Sydney offices. The plans describe the process that SMEC will follow to minimise harm to the environment, achieve continuous improvement and record progress.

The Sustainable Office Committee was established in the Melbourne office and The Green Group was established in the Sydney office to oversee the implementation of these plans. These committees comprise of representatives from key business areas. Initiatives undertaken through these committees to reduce waste and environmental harm, caused by office activities, include:

- purchasing 10% green power in the Melbourne office
- defaulting printers and copiers to double-sided printing
- purchasing 70% recycled A4 paper
- displaying water conservation signage in kitchens and bathrooms
- using reusable envelopes for inter-office mail
- recycling paper, aluminium, glass and plastics
- changing the lights in the Sydney office which resulted in a 50% reduction in energy consumption
- installing teleconferencing equipment to reduce reliance on air travel

Moving forward, SMEC will work towards introducing environmental office committees in more offices. SMEC will also work towards broadening the scope of these committees, introducing more environmental initiatives and increasing the profile of the committees within the Company through internal communication.

## 10.3 Environmentally Sustainable Practises in Projects

SMEC is committed to managing risks that may adversely impact the environment. SMEC provides socially and environmentally responsible advice for its clients and develops customised outcomes that best meet sustainability objectives. SMEC's Natural Resources and Environment group offers services to clients including: Environmental Impact Assessments and permitting studies, climate change adaptation, water resource studies, sustainable waste management, pollution control, ecological assessment, conservation management and contamination assessment and remediation.

SMEC offers these as stand-alone services or as a component of a larger project. SMEC is highly experienced in the integration of environmental management and planning aspects with projects including: Transport, Water, Buildings, Urban Development, Geotechnical, Mining and Tunnelling.

### 10.3.1 Natural Resources and Environment Project Profiles

#### Northern Busway (Royal Children's Hospital to Windsor) – Queensland, Australia

The Northern Busway project was a highly complex development including a 1.2km elevated structure, a busway station and cycle centre adjacent to the largest hospital campus in the southern hemisphere. The project demonstrated leadership and innovation in its consideration of environmental issues throughout the planning and construction phases. The site was located within a heavily constrained urban landscape including: state cultural heritage-listed places (Brisbane General Hospital Precinct, Bowen Park and the Brisbane Exhibition Grounds including the porphyry wall on Bowen Bridge Road); and environmentally sensitive areas including contaminated land, Acid Sulphate Soils (ASS) and marine environments (Enoggera Creek).

The final development is a combined busway and cycle centre which provides sustainable, alternative methods of transport and incorporates a number of sustainability design features including: solar photovoltaic panels on the busway station roof for station lighting; passive ventilation and daylight through design; stormwater harvesting; storage of run-off and rainwater for use within the precinct; and real-time information panels to illustrate sustainability indicators to patrons.

SMEC's services included: environmental investigations into surface water monitoring, noise and vibration, air quality, contamination and cultural heritage; development of Environmental Management Plans (EMPs) for flora and fauna, ASS, contaminated land, water quality, air quality, noise and vibration, waste and cultural heritage; management and monitoring of ASS; facilitation of environmental licences, permits and approvals; development of Environmentally Sensitive Area Drawings for use throughout design and construction; inputs into design, particularly in regard to impact on state heritage listed places; provision of an Environmental Officer to ensure on-site compliance including regular site inspections and reporting on mitigation measure compliance.



#### Dandenong Creek Wetland – Victoria, Australia

SMEC, as a member of the Melbourne Waterways Alliance, designed Melbourne's largest man-made wetland on Dandenong Creek, east of Melbourne. The wetland covers 48ha of swampland reclaimed for agriculture and provides significant habitat value. The wetland has four 1km long, 75m wide ponds as well as a sedimentation pond. Over 1.66 million plants were grown in an on-site nursery and planted in the various wet and dry-land zones in and around the four ponds. Recycled water was used in the nursery. The wetland also features a diversion weir which includes a rock ramp fishway to maintain a fish passage past the weir.

SMEC ensured that the design would have no adverse effects on local flooding rates, despite the fact that it was constructed across the floodplain. SMEC also incorporated access for monitoring and maintenance into the design as well as provision for public access, bike path access through the middle of the wetland and viewing areas to promote engagement of the public.

All construction works were confined to cleared land, resulting in removal of only six trees. Construction involved excavation of 315,000m<sup>3</sup> of clay and topsoil. A surplus of 90,000m<sup>3</sup> of clay was used for adjacent tollway works to avoid the risks associated with heavy vehicle transport on public roads. All construction works were undertaken under strict environmental controls for noise, dust and site run-off.

Upon completion, the wetland will reduce discharges of nitrogen into Port Phillip Bay by 28 tonnes per year, sediment by 5,000 tonnes per year and phosphorus by 9 tonnes per year; it is the single largest contributor to reaching waterway environmental target levels in Victoria. (The other 43 wetlands in Victoria average only 1.3 tonnes of nitrogen removal per year). Other positive environmental impacts arising from the construction of the wetland include: improved water quality; enlargements to core conservation areas and increased habitat for waterfowl, frog, fish and other species that rely on wetland environments; retention and improvement of existing habitat zones along the creek; and revegetation and weed management within the existing riparian zones.



### **Dight's Falls Weir Replacement – Victoria**

Dight's Falls Weir is a heritage listed 5m high timber crib weir across the Yarra River in Abbotsford, Melbourne, at the confluence of the Merri Creek. Built in 1895, the existing weir has reached the end of its life and needs replacing. SMEC is designing the replacement weir. The new weir will maintain the existing values at the site; it will balance heritage, environmental, recreational and cultural values, with particular emphasis on the indigenous values of the left bank and the heritage values of the old mill.

Upon completion, the replacement weir will maintain the existing water level and include fish and eel passage provision on the right bank. This will open up 2,500km of riverine environment to the Yarra River's estuary. The existing riverine habitat in the upstream pool will be protected and the biodiversity of the freshwater marine environment will be enhanced by allowing all species unrestricted access across the weir at all flow levels for the first time since 1895.

SMEC has conducted Environmental Impact Assessments and extensive public consultation with forty stakeholder groups. This consultation determined the type of weir and mode of construction. Protection of the upstream pool environs and stability issues with the banks limited drawdown criteria for the pool and water quality and turbidity issues downstream limited the type of construction materials. All these elements were incorporated in SMEC's design to achieve lasting benefits for the environment and the community.

The new weir will be a secant piled wall with a concrete cap to simulate the existing weir. Sixty 120cm diameter, 11m deep piles will be drilled into the rock to form the weir wall. SMEC evaluated possible adverse environmental effects during the construction phase before commencement for likely incidence and severity. Adverse effects included: dust, noise, traffic movements, oil spills, drilling fluid losses, increased turbidity downstream of the weir, disruption to normal fish movements, public amenity, bike path use and safe passage of floods past the partly constructed

works. Ongoing monitoring of the environment and river water quality at the site during construction further guarantees high standards are maintained and environmental issues are promptly rectified.

**Figure 18.1 View of the Existing Weir**



**Figure 18.2 Artists' Impression of the Completed Replacement Weir and Fishway**



## 10.4 Renewable Energy

SMEC was one of the first companies to enter the field of renewable energy generation with the landmark Snowy Mountains Hydroelectric Scheme in 1949. Since then, SMEC's services in renewable energy have broadened to include geothermal, photovoltaic and solar thermal, wind, biomass, bio-fuels, mini and micro-hydro technologies and energy efficient strategies.

SMEC provides services for the lifecycle of renewable energy projects including feasibility studies, comprehensive environmental and engineering design, construction supervision and commissioning to help clients establish efficient and cost-effective renewable energy systems.

### 10.4.1 Renewable Energy Project Profiles

#### **Townsville Solar Array Investigation – Queensland, Australia**

Ergon (an electricity supplier in regional Queensland) was exploring the possibility of installing a 400kW solar photovoltaic array on the roof of an existing building in Townsville. The building under consideration was an active sugar storage facility in the centre of Townsville.

SMEC's services included: an initial site visit to assess the constraints of the storage facility (the roof of the facility is asbestos and has a steep rake to match the sugar mound); establishment of

parameters for health risks and cyclone loading for the storage facility; preparation of a concept engineering design so that cost estimates for construction and operation could be undertaken; procurement; and site supervision and commissioning.

SMEC's design included an estimate of the daily typical output for the location, orientation and tilt of the array, wind loading and building modifications required due to the array installation and assessment of the electrical connection issues and requirements.



### Somerset Dam Hydropower Refurbishment – Queensland, Australia

Somerset Dam is located on the Stanley River near Kilcoy in Queensland. The 305m long concrete gravity dam has a 3MW capacity. Water is released through the Somerset power station to supplement Wivenhoe Dam, which in turn supplements the natural flow of the Brisbane River and supplies water to the Mount Crosby pumping station located 132km downstream.

Built in 1959, the existing hydropower plant at Somerset Dam reached the end of its life and needed replacement or upgrade. SMEC undertook a detailed review of all business options for the site. The review concluded that the refurbishment of the existing hydropower plant was the best option. Replacement of key items was required to ensure the turbine was operational and the safety level of the plant was improved.

SMEC provided engineering and procurement consultancy services for the refurbishment including: protection design; design of the relocation of the transformer and transmission line; design of replacement and relocation of the HV cable and Switchgear; refurbishment of generator air cooling heat exchangers; design of bearing and generator cooling water Temperature Sensor replacement and monitoring system; technical advice to Seqwater (the owner) regarding the Energex Connection and Access Agreement; maintenance assistance for all oil, cooling water, turbine inlet and control systems; upgrading and improving the safe access and operation of the plant (mechanical and electrical components); provision of training to operators; and preparation of operation and maintenance manuals.



### **Sustainability and Environment Objectives and Targets for 2011**

It is currently difficult for SMEC to obtain data related to inputs, emissions, effluents and waste caused by client projects. As such, SMEC will develop environmental reporting systems and processes to quantify how SMEC's services impact biodiversity on projects. SMEC's reporting systems and process will focus on four metrics:

- species affected
- extent of areas impacted
- duration of impacts
- reversibility or irreversibility of biodiversity impacts

These metrics are measurable for projects for which SMEC's services include:

- ecological assessments for feasibility, permitting and design project phases
- ecology monitoring and management services for construction, operation and management or decommissioning project phases
- preparation of Environmental Effects or Impact Statements which contain a detailed assessment of biodiversity impacts

The types of services provided by SMEC which could be covered by the reporting system include:

- Environmental Effects Statements and Planning Scheme Amendments for highway or rail projects
- engineering design or proof engineering role for desalination plants
- engineering design for waste water treatment plants
- planning, design, engineering and landscape architecture for urban developments
- engineering design and supervision for waterway or drainage improvement projects
- feasibility studies for decommissioning and rehabilitation of landfill or quarry sites
- ecological assessments for land use rezoning and planning for redevelopment
- provision of advice to local councils on asset management systems (roads, drainage systems, parks, gardens and buildings) to reduce vulnerability to climate change

The environmental reporting systems and processes will be integrated into SMEC's management systems, so that data is reported monthly and quarterly. The estimated timeline for development of the reporting systems and processes is:

1. 2011-2012 Financial Year
  - define the types of projects to be reported, define reporting objectives, and design the reporting systems and processes including metrics
  - trial and debug the reporting systems and processes within one of SMEC's Australian operating regions
  - refine the reporting systems and processes in light of the trials
2. 2012-2013 Financial Year
  - implement the reporting systems and processes in all of SMEC's Australian operations and for selected projects conducted by SMEC International
  - further refine the reporting systems and processes in light of the experience gained
3. 2013-2014 Financial Year
  - implement the reporting systems and processes across all of SMEC's operations

Once the reporting systems and processes for biodiversity impacts are implemented, SMEC will address other relevant indicator protocols.

## 11. GLOBAL REPORTING INITIATIVE INDEX

This report applies the Global Reporting Initiative G3 Guidelines to a self-assessed Level B. Core indicators are in bold.

<b>GRI Indicator</b>	<b>PI Description</b>	<b>Comments</b>	<b>Page Number</b>
1.1	Statement from the CEO.		1-2
1.2	Description of key impacts, risks and opportunities.		1-3
2.1	Name of the organisation.	SMEC Holdings Limited	
2.2	Primary brands, products and services.		5-7
2.3	Operational structure of the organisation.		9-12
2.4	Location of organisations headquarters.	220-226 Sharp Street Cooma NSW 2630, Australia	
2.5	Number of countries where the organisation operates.	47	5, 8
2.6	Nature of ownership and legal form.		9
2.7	Markets served.		6-8
2.8	Scale of the reporting organisation.		21, 23, 5
2.9	Significant changes to size, structure or ownership during the reporting period.	Nil.	
2.10	Awards.		8
3.1	Reporting period.		4
3.2	Date of most recent report.	Not applicable – this is SMEC’s first report.	
3.3	Reporting cycle.	Annual.	4
3.4	Contact point for report.	sustainabilityreport@smec.com	4

GRI Indicator	PI Description	Comments	Page Number
3.5	Process for defining report content.		4
3.6	Boundary of the report.		4
3.7	Limitations on the scope or boundary of the report.		4
3.8	Basis for reporting on joint ventures and other entities.		4
3.9	Data measurement techniques.		4
3.10	Explanation of restatements	Not applicable – this is SMEC’s first report.	
3.11	Significant changes in scope and boundary during the reporting period.	Not applicable – this is SMEC’s first report.	
3.12	Table identifying location of standard disclosures in the report.	GRI Table.	44-49
3.13	External assurance.	SMEC has not used external assurance for the report.	
4.1	Governance structure.		9-12
4.2	Chair of the highest governing body.		9-12
4.3	Independent and non-executive board members.		9-12
4.4	Mechanisms to provide recommendations to the highest governing body.		9-12
4.5	Compensation and performance.		9-12
4.6	Processes to avoid conflicts of interests.		9-12
4.7	Process for determining qualifications and expertise.		9-12
4.8	Mission and values statement.		5

<b>GRI Indicator</b>	<b>PI Description</b>	<b>Comments</b>	<b>Page Number</b>
4.9	Processes for management of company performance.		9-12
4.10	Processes for evaluating the performance of the highest governing body.		9-12
4.11	Precautionary principle addressed.		1-2, 11-13
4.12	Externally developed economic, environmental and social charters.		17
4.13	Memberships in associations.		17
4.14	List of stakeholder groups engaged by the organisation.		18-20
4.15	Basis for identification and selection of stakeholders.		18-20
4.16	Approaches to stakeholder engagement.		18-20
4.17	Key stakeholder topics and concerns.		18-20
<b>Economic</b>			
<b>EC1</b>	<b>Direct economic value generated and distributed.</b>		<b>21-22</b>
<b>EC2</b>	<b>Financial implications, risks and opportunities due to climate change.</b>		<b>39-44</b>
<b>EC4</b>	<b>Significant financial assistance received from government.</b>		<b>21-22</b>
EC5	Standard entry level wage compared to local minimum wage.		25
EC9	Indirect economic impacts.		32-34
<b>Labour Practices and Decent Work Performance Indicators</b>			
<b>LA1</b>	<b>Workforce by employment type, contract and region.</b>		<b>23</b>

<b>GRI Indicator</b>	<b>PI Description</b>	<b>Comments</b>	<b>Page Number</b>
<b>LA2</b>	<b>Employee turnover.</b>		<b>28</b>
<b>LA3</b>	Benefits provided to full-time employees.	The same benefits are provided to all employees (part time on a pro-rata basis).	26-28
<b>LA4</b>	<b>Percentage of employees covered by collective bargaining agreements.</b>	<b>Nil.</b>	
<b>LA7</b>	<b>Rates of injury and lost days.</b>		<b>28-31</b>
<b>LA8</b>	<b>Programs to assist with serious diseases.</b>		<b>26-28</b>
<b>LA10</b>	<b>Average hours of training per employee.</b>		<b>26</b>
<b>LA11</b>	Skills management and lifelong learning programs.		26-27
<b>LA12</b>	Regular performance reviews.		26
<b>LA13</b>	<b>Workforce diversity.</b>		<b>23-25</b>
<b>LA14</b>	<b>Basic salary of men to women.</b>		<b>25</b>
<b>Society</b>			
<b>SO1</b>	Programs that assess and manage the impacts of operations on communities.		32-34
<b>SO7</b>	Legal actions for anti-competitive behaviour.	Nil.	
<b>SO8</b>	<b>Non-compliance with laws and regulations.</b>	<b>Nil.</b>	
<b>Human Rights</b>			
<b>HR4</b>	<b>Total number of incidents of discrimination.</b>	<b>One.</b>	<b>35</b>

GRI Indicator	PI Description	Comments	Page Number
HR5	Risks to the right to exercise freedom of association and collective bargaining.	There were no risks identified. All employees are allowed to join and cannot be discriminated against for being a member of a union.	
HR6	Risk of child labour.		35
HR9	Incidents involving indigenous people.	Nil.	35-36
<b>Environment</b>			
EN3	Direct energy consumption.		36-38
EN4	Indirect energy consumption.		36-38
EN5	Energy saved due to conservation and efficiency improvements.		36-39
EN6	Initiatives to provide energy-efficient or renewable energy-based services.		36-44
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		36-44
EN12	Impact on areas of high biodiversity value.		38-44
EN13	Habitats protected or restored.		38-44
EN16	Total direct and indirect greenhouse gas emissions by weight.		36-38
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		36-39
EN19	Emissions of ozone-depleting substances by weight.		36-38
EN23	Total number and volume of significant spills.	Nil.	

<b>GRI Indicator</b>	<b>PI Description</b>	<b>Comments</b>	<b>Page Number</b>
<b>EN26</b>	<b>Initiatives to mitigate environmental impacts.</b>		<b>37-44</b>
<b>EN28</b>	Non-compliance with environmental laws.	Nil.	
<b>Product Responsibility</b>			
<b>PR2</b>	Non-compliance with product health and safety laws.	Nil.	
<b>PR4</b>	Non-compliance with product and service information laws.	Nil.	
<b>PR5</b>	Practices related to customer satisfaction.		<b>18</b>
<b>PR7</b>	Non-compliance with marketing and communications laws.	Nil.	
<b>PR8</b>	Breaches of customer privacy.	Nil.	
<b>PR9</b>	<b>Fines for non-compliance with products and services laws.</b>	<b>Nil.</b>	