

EXECUTIVE SUMMARY

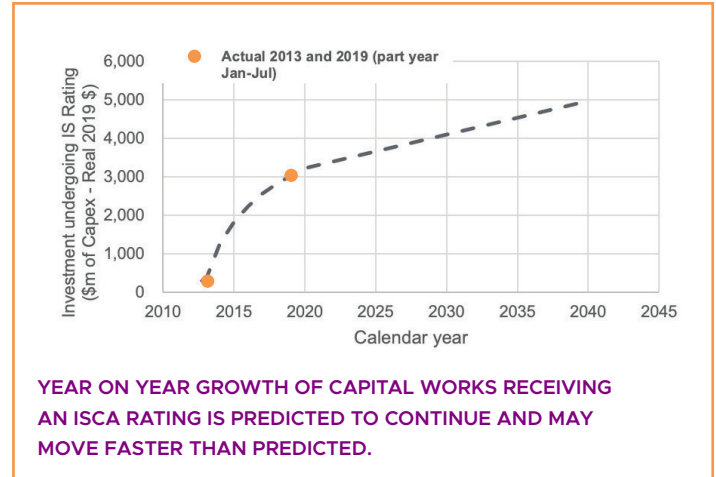
The Infrastructure Sustainability Council of Australia (ISCA) has been supporting the infrastructure industry drive best practice through the Infrastructure Sustainability Rating Scheme (IS Rating Scheme) since 2012. In this time, the Scheme has actively contributed to capacity building and transparently measuring the social, environmental, governance and cultural outcomes delivered by more than \$160 billion of infrastructure projects currently under rating. To help quantify the future benefit the Scheme can deliver, ISCA engaged RPS to assess the net benefits that an IS Rating provides to our society. The study used a cost benefit analysis (CBA) or 'welfare economics' framework supported by stakeholder engagement.

A CBA framework assesses the costs and benefits to all impacted parties within Australia and Aotearoa New Zealand including not only the project proponents but also the environment, community members and government. Targeted stakeholder engagement added to the robustness and richness of the findings because, consistent with the principles of Social Return on Investment (SROI), engagement revealed how stakeholders that are actually implementing the Scheme are affected.

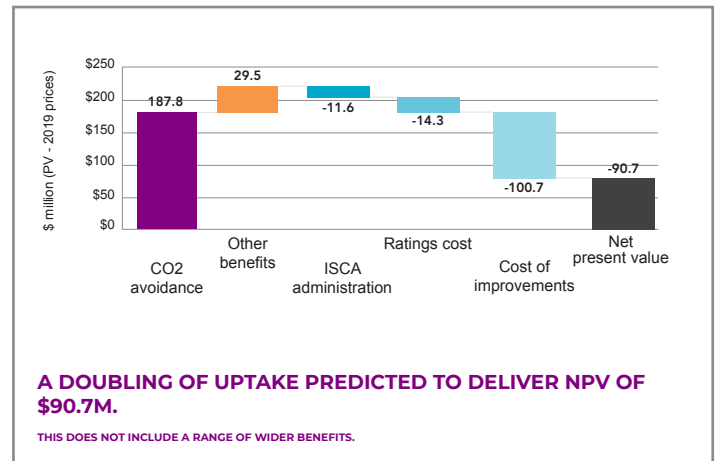
IS RATINGS SET TO DELIVER POSITIVE NET BENEFITS INTO THE FUTURE

The assessment conservatively found that IS Ratings are projected to deliver a **minimum of \$1.6**, in benefit for every \$1 of cost over the period 2020-2040, and potentially up to \$2.4 in benefit for every \$1 of cost. The finding of a positive net benefit is robust to sensitivity testing. The estimate of net benefits is conservative because, to simplify the analysis, not all of the benefits of sustainability outcomes have been included.

Moreover, many other sustainability outcomes that are expected to be material were not feasible to quantify because they are not measured in ways that facilitate monetisation. These include the benefits of open space, health outcomes and human capital development. Measuring these benefits in more objective, quantifiable and verifiable terms, could then facilitate estimation of their economic value. Due to these exclusions, the CBA is expected to provide a conservative estimate of the net benefits of the Scheme.



THERE IS A RETURN OF AT LEAST \$1.6 AND POSSIBLY AS HIGH AS \$2.4 FOR EVERY DOLLAR SPENT. THIS DOES NOT INCLUDE A RANGE OF WIDER BENEFITS.



EXAMPLES OF BENEFITS NOT QUANTIFIED

- BENEFITS OF OPEN SPACE
- HEALTH OUTCOMES
- HUMAN CAPITAL DEVELOPMENT

HIGHER NET BENEFITS CAN BE ACHIEVED ACROSS ALL INFRASTRUCTURE SECTORS

Many of the proponents that have used the IS Rating Scheme take a leadership position in infrastructure delivery. It is possible that some above-BAU sustainability improvements may have been identified and implemented without the framework provided by the IS Rating Scheme. These users have derived many benefits from undertaking an IS Rating including better awareness, coverage and culture regarding social, environmental, cultural and governance outcomes. This has afforded greater ability to communicate sustainability performance, ensuring accountability with subcontractors and capacity-building across the industry.

Infrastructure projects delivered by proponents that have not yet achieved these standards have the opportunity to deliver the quadruple bottom line returns estimated by this study, by adopting an IS Rating. IS Ratings should be targeted at these proponents going forward, as the potential incremental improvements are much higher.

IS RATINGS FACILITATE BENEFITS REALISATION, INNOVATION AND CAPACITY BUILDING

IS Ratings provide transparent third-party measurement and verification of sustainability performance throughout the project lifecycle. This ensures that benefits are not only embedded at the planning stages, but that these benefits are realised through delivery, and into commissioning and operations.

The IS Rating Scheme builds capacity in industry to improve the identification, selection, measurement and verification of social, environmental, governance and cultural outcomes. The **capacity building** element is particularly important as it **drives collaboration, innovation and continuous improvement in the industry.**

Without the IS Rating Scheme, the ability to effectively realise benefits, communicate verified outcomes and build capacity would be more challenging. Further, without it, **economic sustainability improvements would be missed or not fully realised.** Capacity building and continuous improvements deliver a constantly increasing benchmark for better sustainability performance. As such, the IS Rating Scheme should continue to evolve with industry to ensure that it maintains its relevance and accessibility going forward.

NEXT STEPS

ISCA will look to grow and develop its:



QUANTIFICATION OF SOCIAL IMPACTS



UPSKILLING AND CAPACITY BUILDING WITHIN THE INDUSTRY



ABILITY TO SHAPE DECISIONS EARLIER IN THE PROJECT LIFECYCLE (e.g. BUSINESS CASE)



CONTINUOUS IMPROVEMENT AND INNOVATION IN SUSTAINABILITY, SUPPORTED BY THE RATING SCHEME

KEY CONSIDERATION FOR LEADERS

1. Is your current BAU approach focussed on compliance, or rather, consistent continuous improvement to deliver beyond regulatory requirements?
2. In terms of commitment, how early do you plan for positive net benefit?
3. What levers do you use to facilitate benefits realisation, innovation and capacity building?