

Sustainable Development Reporting

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Summary

The goal of this paper is to describe the history and the significance of the sustainable development reporting and its part environmental reporting. By using environment oriented reports it is possible to evaluate the approach considered to protect the living environment protection. Sustainability reporting is a fundamental method for measuring the contributions of the business to sustainable development. The significance of the environmental instruments is growing and in connection with long-time prosperity it is necessary to use voluntary environmental instruments as environmental reporting.

Key words

Environmental accounting, Environmental reporting, Sustainable development reporting, Sustainable development.

Introduction

Taking care of the environment has become a topic discussed all around the world. Environmental reporting and related issues are beginning to take an increasing importance. The environmental reports include environment-related information and other reports. This new role of reporting is presented as a latter method for accounting use.

Former US vice president, climate change campaigner and Nobel prize holder Al Gore has told accountants (during ACCA event in Hong Kong in August 2007) that changing the way companies account for environmental impacts can help stave off a global disaster. This new role of accounting for sustainable purposes is presented as a latter method for accounting use and it is important to bring sustainability issues onto the mainstream accounting agenda. Ideally sustainability accounting practice should benefit from the history of financial and management accounting.

1. Brief history

The term sustainable development was first time used in the publication „Our Common Future, which was published in 1987 by the World Commission on Environment and Development under command of Gro Harlem Brundtland – Norway (Norway’s deputy prime minister). Sustainable development is defined as development that can fill needs of the present generation without limiting the ability to meet the needs of the future generations.

The principles of sustainable development were also spread by the UN under command of Kofi Annan. The United Nations introduced in 2000 the initiative Global Compact. Since 1986 UNIDO (United Nation Industrial Development Organization) became the sixteenth specialized organization within the UN and its main goal is to support sustainable industrial development in developing countries and countries in economic transition. Another important member in this field is the OECD (Organization for Economic Co-operation and Development) that issued Guidelines for Multinational Enterprises that include recommendations in the field of Corporate Social Responsibility.

In 1999 the European parliament approved a Resolution on the EU standards for European enterprises operating in developing countries: towards a European Code of Conduct and in 2001 the European commission issued a “green book“-Promoting a European framework for corporate social responsibility.

2. Environmental reporting

Sustainable enterprise strategy integrates **economical, environmental and social aspects** in a frame of sustainable entrepreneurship.

Corporate Social Responsibility is considered as a way through which corporations can contribute to sustainable development. Corporate Social Responsibility in the field of environment includes:

- Scoring the environmental efficiency of the corporation,

- Monitoring risks and planning,
- Energetic and material savings,
- Investments into recycling.

Some companies in their annual report publish an environmental policy (environmental criteria, environmental targets) and present results of this policy – investments in environment, contributions to environmental programs etc. When using all this information it is possible to find out whether a company has introduced elements of environmental accounting.

Environmental accounting includes separate identification of:

- Environmental costs,
- Environmental expenditures,¹
- Environmental Investments (for example to monitoring systems recording emissions),²
- Environmental liabilities (clean-up liabilities, fines, reparation etc.),
- Environmental allowances and environmental spending.

The United Nations published proposals on environmental accounting. The United Nations succeeded in getting nations to adopt them. Proposals on environmental accounting in the field of financial information:

- Disclosure of the amount spent on environmental matters,
- Disclosure of environmental contingent liabilities,
- Disclosure of the anticipated pattern of future environmental expenditure.
- And in the field of non-financial information:
 - Disclosure of environmental policy,
 - Disclosure of organizational activity in the environmental field.

Data from environmental accounting is the base for other activities of company – analysis and planning. Environmental accounting provides the

¹ Environmental expenditure is defined as the money spent on activities directly aimed at the prevention, reduction and elimination of pollution resulting from the production processes or consumption of goods and services.

² Environmental investments include all capital expenditure relating to environmental protection activities – monitoring, control, reducing, prevention and elimination of pollution or any other degradation of the environment resulting from the activity of the business.

main source of data for materials, waste and energy analysis, analysis of dealings with regulatory bodies, analysis of investments, etc. Environmental accounting with an alternative or complementary reporting provides an entire database of environmental impacts and activities of the company. Complementary reporting can include resources, emissions, waste energy, products, transport, packaging, health and safety etc.

There are several **approaches to accounting for the environment** in the field of financial reporting. Environmental accounting can be used as a management tool and can cover also: - Cost analysis in key areas such as energy, waste and environmental protection (it enables to find out which environmental costs are created within the organization and this information can be important for top management during the decision process about ecologically optimal solutions),

- Investments with environmental aspect,
- Assessing the costs and benefits of environmental improvement programmes, etc.

What does Environmental Protection include? There are many attitudes and classifications in this field. One of them is the **Classification of Environmental Protection Activities and Expenditure (CEPA 2000)**. CEPA 2000 is a recognized international standard adopted by the UN Statistical Commission, and included in the Family of International Economic and Social Classifications. CEPA is used world-wide as a tool both for defining environmental protection and for presenting results. CEPA classifies environmental protection activities and expenditure in nine main areas:

1. Protection of ambient air and climate
2. Waste-water management
3. Waste management
4. Protection and remediation of soil, groundwater and surface water
5. Noise and vibration abatement (excluding workplace protection)
6. Protection of biodiversity and landscapes
7. Protection against radiation (excluding external safety)
8. Research and development
9. Other environmental protection activities

3. Global Reporting Initiative

There are several frameworks for the sustainability development reporting (that include also

environmental reporting) in the world. One of the most significant is Global Reporting Initiative.

International multi-party initiative launched in 1997, aiming to draw up and distribute guidelines for producing sustainable development reports for businesses looking to report on the economic, environmental and social dimensions of their activities products and services. **Sustainable Reporting Guidelines issued by GRI (Global Reporting Initiative)** regulate annual reports of companies that want to follow Corporate Social Responsibility. One of GRI targets is to create reporting guidelines for organizations which would be accepted worldwide. Annual reports according GRI should contain:

- Corporate strategy
- Profile of company
- Management systems of company
- Index of parameters according GRI
- Indicators of efficiency

Organizations can choose how frequently the reports will be prepared and also the way of distributing the reports. The biggest improvement in this field is that the organizations can publish sustainability and financial reports together and issue annual reports that include both of these subjects.

With the idea to reach common understanding of reporting, organizations should pursue the following **reporting principles**:

	Transparency	
	Inclusiveness	
Completeness	Accuracy	Clarity
Relevance	Neutrality	Timeliness
Sustainability	Comparability	
	Auditability	

4. Standards AA 1000

AccountAbility was launched in 1996 as the Institute for Social and Ethical AccountAbility. The purpose is to promote accountability for sustainable development.

In 1999 AccountAbility launched the AA1000 Framework. Its aim was to support organisational learning, performance and progress towards sustainable development by improving the quality of social and ethical accounting, auditing and reporting. In 2003 was launched the AA1000 Assurance Standard to provide a systematic and consistent framework for assurance of performance. In 2005 was launched the AA1000 Standard for Stakeholder Engagement, to secure

the quality of organisations engagement with their stakeholder engagement which is crucial to learning, governance and accountability. In 2008 both standards were revised.

Reports prepared according AA 1000 standard must follow these principles:

- Materiality,
- Completeness,
- Responsiveness.

Materiality means that the sustainability report provides an account covering all the areas of performance that stakeholders need to judge the organisation’s sustainability performance. (Companies usually add sustainable development challenges that they consider to be the most significant for their activities.)

Completeness means that the reports are complete and accurate enough to assess and understand the organisation’s performance in all areas. (Companies prefer to identify decisive elements in their process of identifying the challenges of sustainable development. For example they add lists of stakeholders with whom they carry on a structured dialogue or describe their actions relating to their key challenges.)

Responsiveness means that the organisation responded coherently and consistently to stakeholders concerns and interests. (Companies declare that they take into account the suggestions for improvement of users of reports and conclusions of the audit process in order to improve the quality of their reporting.)

5. Information needs of stakeholders

Various stakeholders read sustainable development reports in order to satisfy their particular information needs.

The investors are concerned with the risk inherent in, and return provided by, their investment. They need information to help them determine whether the company’s direction is sustainable.

Sustainable development information can help also **the lenders** to determine risk factors associated with the company’s business practices.

Some **suppliers** may be dependent upon the company if it is a major customer. Sustainable development information can help them determine risks and reports can also inform suppliers of the demands they may face from the company as part of its supply chain.

For **customers** is usually very important to know that the products they are buying are environmentally and socially friendly.

The employees and their representative groups are interested in information about sustainable development in order to judge if the company is a stable employer, provide social benefits for them and cares about prevention of noxious aspects of work.

The public cares especially about environmental indicators of sustainable development reports.

A variety of non-governmental organizations (**NGOs**) represent a broad range of interests and concerns such as environmental protection, human right or consumer issues.

Government authorities require information in order to regulate the activities of companies and to determine policies for competition, taxation, the environment, consumers and social affairs.

Sustainable development reports should meet the general needs of many users with different information needs.

The incentive for companies to implement sustainable development reporting and especially environmental reporting is to meet information needs of variety of users of these reports and to improve the management of sustainable development issues through the following steps:

- Financial savings (energy savings, cost savings for disposal of waste),
- Increasing productivity,
- Increasing turnover (company can become more competitive in a globalized world and it can attract environment oriented customers or take advantage of tenders),
- Improving stakeholder relations (in reports are published indicators that most stakeholders are interested in them).

6. Implementation of Sustainable development reporting in Slovakia

There are already several companies in Slovakia that integrate not only environmental goals but also a whole range of sustainable development challenges into their strategy and policies and it contributes to improve their overall performance by supporting the creation of value over the long term.

These companies understand that monitoring economic, social and environmental performance is a key part of all efforts to continuously improving

corporate responsibility program and publish it in their annual reports by respecting GRI principles.

The first company that started to prepare GRI reports is Slovnaft. The Slovnaft refinery, one of the biggest of its kind on Central Europe located at the south-eastern edge of Bratislava. The company core business is production, warehousing, wholesale and retail sales and distribution. Slovnaft owns with the largest retail network in Slovakia offering motor fuels and lubricants. Slovnaft provides regular information on the results achieved in the field of Health, Safety and Environment on a yearly basis. The first annual sustainable development report was issued by Slovnaft in 2001. This report includes Health, Safety and Environmental policy and targets of company and also financial information such as figures about progress of Slovnaft Group ISE indicators (air, wastewater, waste disposal, health and safety).

Orange Slovensko, a.s. also prepares GRI reports. Orange Slovensko, a.s. belongs to France Telecom Group. France Telecom is one of the world's biggest telecommunications operators. The Group serves more than 170 million customers across five continents, two thirds of them under the Orange brand. France Telecom joined the UN Global Compact in July 2000. Orange integrates the principles of the Global Compact in the fields of human rights, labor standards, environment and anti-corruption. Orange provides a view of its overall performance for each year in annual reports. They declare that the content of these reports is prepared on the basis of indicators chosen so as to take into account the key economic, social, societal and environmental impacts of their activities. These indicators have been chosen taking into account the recommendations of key international organizations, such as the Global Reporting Initiative (GRI), the UN Global Compact and the guiding principles of the OECD. The indicators are collected, calculated and consolidated using dedicated online reporting tools. The data presented covers the main countries where the Group is present. The scope of each indicator is set out in the annual report. A note on methodology, which describes the calculation methods used for each indicator, is available on the website www.orange.com

Conclusion

Environmental protection and sustainable development is no longer a debate among specialists, or a fashionable trend. Customers, the public authorities and society as a whole are increasingly aware of these issues and expect companies to take the challenges of sustainable development into account in a responsible manner.

Current reporting by corporations is a highly regulated activity by law and professional pronouncements. There is also social and environmental data but, beyond legally required disclosure, this data is augmented by voluntary reporting. It seems essential to consider the actual institutional arrangements for reporting. Without a serious appraisal of these arrangements there is the very real danger that there may be no actual change in reporting practice. Environmental reporting for sustainability cannot sit easily and comfortably within current reporting arrangements and practices.

There are some initiatives in the world that help in this field – GRI and AA1000 standards. Both of them require a large commitment of resources to achieve widespread application. The desired

outcome from the dissemination of sustainability accounting information is a radical change to sustainable business practices. It is unrealistic to expect business to voluntarily commit the resources required for full implementation. Furthermore, humankind has too much to lose if this transition does not take place.

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