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- INFORMATION FOR DECISION-MAKING -

PROMOTING ENVIRONMENTAL MANAGEMENT ACCOUNTING THROUGH GOVERNMENT POLICIES AND PROGRAMMES

and

ADVANCING INFORMATION FOR DECISION-MAKING THROUGH ELECTRONIC NETWORKING AND CORPORATE REPORTING

BACKGROUND PAPER NO. 12

Prepared by the

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INTRODUCTION

The present background paper provides information on efforts by the United Nations to assist governments in improving information for decision-making in the field of sustainable development. The report includes two parts. Part I, prepared by the Division for Sustainable Development, Department of Economic and Social Affairs, reports on work on environmental management accounting (EMA), focusing on the role of government in promoting use of EMA in enterprises. Part II, prepared by the Division of Technology, Industry and Economics (DTIE) of the United Nations Environment Programme (UNEP), reports on work to advance information for decision-making through electronic networking and corporate reporting.

PART I

PROMOTING ENVIRONMENTAL MANAGEMENT ACCOUNTING (EMA) THROUGH GOVERNMENT POLICIES AND PROGRAMMES

Division for Sustainable Development
Department of Economic and Social Affairs

The growing concern of civil society and the general public regarding companies' environmental impacts creates a demand for measuring, monitoring, screening, comparing and benchmarking the environmental performance of companies. Many companies have begun to review and modify managerial processes and internal decision-making processes to develop or improve management accounting systems to address the increasing environmental and social concerns. While management accounting systems are primarily a matter of internal concern and responsibility, the potential economic, social and environmental benefits external to the enterprise resulting from widespread use of environmental management accounting (EMA) tools have stimulated some governments to undertake active programmes for promoting such tools.

The Commission on Sustainable Development (CSD), in its Decision 6/3 (1998) identified eight areas of action, with progress to be reported to the Commission at its tenth session. One of the areas is the study of factors that influence company decision-making, such as economic competitiveness and environmental management, including the adoption of best practices in environmental management.

To assist governments in considering how they might promote environmental management accounting (EMA), the United Nations Department of Economic and Social Affairs initiated a series of expert meetings on environmental managerial

accounting and the creation of an Expert Working Group on EMA comprised mainly of representatives of interested member governments.

The first Expert Working Group Meeting on *Improving Governments' Role in the Promotion of Environmental Managerial Accounting* was held on 30 and 31 August 1999 in Washington. The meeting brought together experts in the field from various countries to share information on existing programmes, discuss the role that government can play in promoting corporate EMA, and create a mechanism for continuing international cooperation in promoting EMA. This meeting was hosted by the United States Environmental Protection Agency (US EPA) and was organized in cooperation with the United Nations Environmental Programme (UNEP), the European Commission Directorate General III - Enterprise (EC DG III), and the International Institute for Industrial Environmental Economics (IIIEE) at Lund University, Sweden. A publication including the report of this meeting is being distributed to the Commission at its ninth session.

The second meeting of the Expert Working group on EMA was held in Vienna on 15 and 16 May 2000, hosted by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management and the Austrian Federal Ministry of Transport, Innovation and Technology. At this meeting, the Group decided to develop and publish three studies intended for use by government in promoting the use of EMA in industry.

These studies address (1) the need for improved knowledge of EMA techniques and procedures for use in the preparation of national EMA guidelines; (2) linkages between EMA and other accounting and management systems, including national accounts; and (3) a review of policy options available to government for promoting EMA, including a list of current government EMA programmes. These studies were supported by contributions from the Governments of Australia, Austria, Canada and Germany.

The third meeting of the Expert Working Group on EMA was held in Bonn, Germany, from 1 to 3 November 2000. This meeting was hosted by the German Federal Ministry for Education and Research in cooperation with the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety. At this meeting, the members of the Group reviewed the three draft studies agreed at the meeting in Vienna and established a process for final review and publication of these studies in two publications in early 2001.

The Expert Working Group on EMA currently includes government participants from Argentina, Austria, Belgium, Brazil, Canada, Colombia, China, Czech Republic, Denmark, Egypt, Finland, Germany, Hungary, India, Italy, Japan, Mexico, Nepal, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Saint Lucia, Slovak Republic, Sweden, Switzerland, United Kingdom, United Republic of Tanzania, United States of America, and Zimbabwe. The group also includes participants from

international organizations including the United Nations Department of Economic and Social Affairs, the United Nations Environment Programme (UNEP), the United Nations Conference on Trade and Development (UNCTAD), the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations University Institute for Advanced Studies (UNU/IAS), the United Nations Industrial Development Organization (UNIDO), the European Commission, the European Environment Agency (EEA), the European Federation of Accountants (FEE), the International Council for Local Environment Initiatives (ICLEI), the Eco-Management Accounting Network (EMAN), the Canadian Institute of Chartered Accountants (CICA), the Association of Chartered Certified Accountants (ACCA), as well as expert members from academia, private industry and other non-governmental organizations.

Environmental Management Accounting

Environmental Management Accounting (EMA) is broadly defined to be the identification, collection, analysis, internal reporting, and use of information on material and energy flows, environmental costs, and other costs for both conventional and environmental decision-making within an organization.

This definition of EMA is similar to the definition of conventional management accounting, but has several key differences:

(a) EMA places particular emphasis on accounting for environmental costs;

(b) EMA encompasses not only cost information, but also information on physical flows and fates of materials and energy;

(c) EMA information can be used for any type of management decision-making within an organization, but is particularly useful for activities and decisions with significant environmental components or consequences.

EMA indicators for management decision-making include both: physical indicators for material and energy consumption, flows, and final disposal, and financial indicators for costs, savings, and revenues related to activities with potential environmental impacts.

Cost accounting constitutes the central tool for management decisions such as product pricing and is not regulated by law. The primary purpose of cost accounting is to determine the production costs for different products in order to set the selling price of the products. The main stakeholders in cost accounting are various managers, such as executives and site, product and production managers.

The core elements of environmental information systems are physical flows, in physical units, of material, water and energy within a defined system boundary. This can be on the corporate level, at the level of cost centers and production processes, and even at the level of specific equipment and products. EMA combines that physical flow information with data from financial accounting and cost accounting in order to provide a basis for increasing production efficiency. EMA can be used by private or public corporations or other organizations. It is not applicable at the national level.

The fact that environmental costs are not fully identified in conventional management accounting often leads to distorted evaluations of options for improving production. The full benefits to the enterprise of environment protection projects, aiming to prevent emissions and waste at their source, improve the utilization of raw and auxiliary materials, and use less harmful operating materials, are not recognized and therefore may not be implemented. Executives and managers are often not aware that that the costs of producing waste and emissions are often greater than the cost of disposing of them.

This approach uses the principle that all purchased materials must by physical necessity leave the company either as product or as waste or emission. Waste is thus a sign of inefficient production. Environmental costs are calculated in this approach to include not only disposal fees, but also the purchase value of the wasted material and the production costs associated with that material.

Including the purchase value of non-material output (waste, waste-water, emissions) in the environmental costs makes the share of “environmental “ costs higher in relation to other costs. However, it is not the goal of this work to show that environmental protection is expensive. It is also not essential to spend a lot of time defining exactly which costs are environmental and which costs are not.

The important task is to ensure that all relevant, significant costs are considered when making business decisions. Environmental costs are just one component of the total costs that must be taken into account for good decision-making. In EMA, environmental costs are considered as part of an integrated system of material and financial flows throughout an enterprise, and not as a separate cost. Environmental management accounting is therefore simply better, more comprehensive management accounting, with an environmental component that identifies costs that are hidden by conventional management accounting. The use of material flow accounting techniques is not for assessing the total environmental costs, but for improving the evaluation of production costs on the basis of material flows.

The key benefit of good EMA information is the opportunity to identify and reduce environment-related production costs. In addition, reductions in capital investments or operating costs for environmental protection can increase profit margins and allow more competitive prices of products or services, increasing market share. Reductions

in potential environmental liability costs can reduce legal liability costs and improve access to financing and customer contracts.

EMA information is most valuable for activities with a specific environmental component or with the potential for significant environmental impacts or consequences. With environmental policies increasing in scope and effect, the range of decisions affected by environmental costs is generally increasing. Management decisions that have previously been considered as non-environmental are increasingly affected by environmental costs. EMA will therefore become valuable for a wider range of routine management decisions, such as product pricing and capital budgeting.

How governments can influence the use of EMA

Government organizations at various levels have an interest in EMA for many reasons. First, governments can use EMA for environmental and other decision-making within their own operations. The implementation of EMA by private enterprises also can benefit government in a variety of ways. The more that enterprises are able to recognize the financial benefits of resource conservation and environmental protection programmes and expenditures, the lower the financial, political and other burdens of environmental protection, regulation, and enforcement on government.

In addition, implementation of EMA should strengthen the effectiveness of existing government policies and regulations by revealing to companies the true environmental costs that those policies and regulations impose. Finally, business-related EMA data from enterprises could be useful to governments for policy design and decision-making.

One of the major goals of the Expert Working Group is to collect and disseminate information on case studies of government policies and programmes that promote EMA. The Group has selected an illustrative set of case studies for publication to show the extent and diversity of government efforts in this area, and to inform future activities.

The 17 case studies considered indicate that there are a wide variety of government and government-supported policies and programs to promote EMA. In most cases, government agencies with an environmental mandate are the primary actors, but other agencies are beginning to get involved. National governments have taken the lead in many of these activities, but the level of experience and activity at lower levels of government (state/province and local) is increasing. International organizations and groups are also becoming more active in promoting the sharing of experiences and tools among countries.

Government organizations are often promoting EMA in collaboration with non-governmental organizations, including enterprises, industry associations, financial institutions, accounting associations, universities, research and consulting firms, and NGOs.

The target audiences of government programmes, i.e., the EMA users, have included both industry and government, and EMA has proven valuable to each for internal management and decision-making. The case studies indicate that the target audiences have generally shown great interest in the policies and programmes concerned. EMA efforts targeted at industry seem to focus mostly on the manufacturing sectors, rather than the resource extraction or service sectors. Small and medium-sized enterprises (SMEs) are also an audience of specific interest.

Partly because the conceptual development of EMA is at a relatively early stage, much of the activity focuses on voluntary programs with a significant effort on the development of concepts and tools. Information dissemination has also been a focus of activities. However, there are also several good examples of programmes that require EMA through government regulation. This may be an indication that the value of EMA to environmental management and decision-making is starting to be widely recognized, and that EMA is starting to emerge from a developmental stage into a stage of dissemination and implementation. One significant gap in EMA-related policy activities is in the realm of financial incentives.

There has been little formal evaluation of the successes and problems of these EMA policies and programmes, probably partly because of the early stage of some of the projects, and partly because formal evaluation itself can be difficult. Thus, the extent and effectiveness of many current policies and programmes is unclear. However, some common challenges seem to be challenges of definition, cultural change, and technical capacity.

The best policy approach for promoting EMA concepts will likely differ for different levels of government, for different target audiences, and in different countries. Nonetheless, the existing policies and programmes reviewed in the case studies provide some preliminary lessons about promising policies for the promotion of EMA by government.

The following chart highlights the most promising pathways and actors, based on the limited research so far by the Group, by which government can more effectively promote EMA in industry

The most suitable business activity through which government can promote EMA appears to be environmental investment appraisal. Other activities include

environmental cost accounting, accounting for environmental benefits, material flow accounting, and ecological investment appraisal.

The table below summarizes the results of the Group's research on the specific EMA applications and the actors that appear most suitable for government programmes promoting corporate EMA. The table lists the stakeholders for each activity, i.e. the government agencies and management departments who are interested or involved in each activity. Government programmes can use these findings to identify priority EMA applications and the actors that should be addressed to promote that application.

EMA application (in order of suitability)	Government agencies involved	Management departments involved
Environmental investment appraisal	♦ Environmental protection agencies ♦ Commerce agencies	♦ Accounting and finance department ♦ Production management ♦ R&D and design department ♦ Logistics department ♦ Top management ♦ Environmental management department ♦ Corporate marketing and PR ♦ Legal department
Environmental cost accounting	♦ Environmental protection agencies ♦ Commerce agencies	♦ Accounting and finance department ♦ Production management ♦ R&D and design department ♦ Logistics department ♦ Top management ♦ Environmental management department
Accounting for environmental benefits	♦ Environmental protection agencies ♦ Commerce agencies	♦ Accounting and finance department ♦ Production management ♦ R&D and design department ♦ Logistics department ♦ Top management ♦ Environmental management department
Material and energy flow accounting	♦ Environmental protection agencies ♦ Tax agencies	♦ Environmental management department ♦ Corporate marketing and PR ♦ Legal department ♦ Logistics department ♦ Waste and recycling management

EMA application (in order of suitability)	Government agencies involved	Management departments involved
Physical environmental investment appraisal	♦ Environmental protection agencies ♦ Tax agencies	♦ Environmental management department ♦ R&D department ♦ Accounting and finance department ♦ Corporate marketing and PR ♦ Legal department

The case studies of government policies and programmes to promote EMA indicate that some of the EMA applications that would appear to be the most promising for government promoting efforts have not been used. In particular, there is only one rather preliminary project promoting accounting for environmental benefits, which should have a high potential for benefits to both enterprises and government.

In addition, there are a number of non-EMA management and information systems that could be used to promote EMA through targeted policies and programmes.

Non-EMA system	Suitability	Most promising intermediaries for EMA promotion
Conventional financial accounting and reporting	High	♦ Shareholders / financial analysts ♦ Industry associations ♦ Professional accounting associations
External environmental reporting	High	♦ Industry associations ♦ Creditors / insurance companies ♦ Professional accounting associations ♦ Community groups
National environmental accounting	Medium to high	♦ NGOs ♦ Community groups
Conventional management accounting	Medium	♦ Professional accounting associations
Conventional regulatory accounting and reporting	Medium	♦ Tax agencies
Regulatory environmental accounting and reporting	Medium	♦ Environmental agencies ♦ Tax agencies

Non-EMA system	Suitability	Most promising intermediaries for EMA promotion
Environmental management systems	Medium	♦ Standardization organizations ♦ Industry associations
Financial management systems	Low	♦ Creditors / insurance companies
Quality management systems	Low	♦ Standardization organizations
National economic accounting	Low	♦ International organizations

According to this analysis, the most suitable non-EMA management and information systems that could be used to promote corporate EMA are:

(a) Conventional financial accounting and reporting, through shareholders, financial analysts, industry associations and professional accounting associations. The linkages between government and shareholders/financial analysts and between government and industry associations and management have not been used for promoting EMA so far;

(b) External environmental reporting, through industry associations, creditors, insurance companies, professional accounting associations, and community groups. Most of those linkages have not been used so far.

Considering both of these non-EMA systems, industry associations seem to be potential intermediaries that governments could usefully engage in promoting EMA.

The variety of different objectives and information needs at the management and government levels, as well as the variety of actors and intermediaries involved, and the variety of EMA tools, suggest that a mix of systems, actors and intermediaries should be used for promoting EMA.

The Future of the Expert Working Group on EMA

The Expert Working Group on EMA will continue to explore ways in which governments can effectively promote the use of EMA by industry and other organizations.

The Working Group, at its third meeting in Bonn, set up several working teams that will report to the next meeting of the Group on issues that were considered important for successful promotion of EMA but that have not yet been addressed by the Group. Those issues are:

(a) Inclusion of EMA into management standards such as the ISO-14000 series and the European EMAS standards;

(b) Participation of more accountancy standard-setting bodies in the Expert Working Group and consideration of the Group's potential for modifying internationally and nationally accepted accountancy standards and methods;

(c) The identification of new participants for the working group;

(d) The development and publication of guidance documents on (i) EMA techniques and procedures for small businesses, (ii) links between EMA and quality management systems, and (iii) uses of EMA in investment analysis.

The Group also plans to organize its first International Workshop for Industry on EMA in late 2001 and to disseminate its reports through an international EMA website. It also plans to provide links to its documents through the websites of its members as well as through the websites of international accounting standards organizations.

The fourth meeting of the Expert Working Group is planned for Tokyo from 5 to 7 June 2001, hosted by the Japan Environment Agency. The fifth meeting of the Expert Working Group is planned for the United Kingdom in the first quarter of 2002.

ADVANCING INFORMATION FOR DECISION-MAKING THROUGH ELECTRONIC NETWORKING AND CORPORATE REPORTING

Division of Technology, Industry and Economics (DTIE)
United Nations Environment Programme (UNEP)

Introduction

Environmentally sound decision-making relies on two types of information: assessment of environmental issues; and assessment of potential solutions, in particular technologies. UNEP provides both types of information.

In the field of technology transfer, UNEP facilitates information exchange through the operation of various clearinghouses. These clearinghouses include the OzonAction Information Clearinghouse (OAIC), the International Cleaner Production Information Clearinghouse (ICPIC), the MaESTro (Environmentally Sound Technologies) CD-ROM Version 2.0, the Mineral Resources Forum, the Offshore Oil and Gas Environment Forum, the Sustainable Agri-food Forum, and chemicals websites. In the field of chemicals, UNEP has also undertaken a project to enhance the use of the Internet to improve chemical safety in Africa by providing country focal points with computers, software, databases, Internet access and training.

The UNEP-GEF Technology Transfer Clearinghouse

Building on the above, UNEP, in a strategic partnership with the Global Environment Facility (GEF), is initiating The Sustainable Technologies Alternatives Network, which will improve knowledge management and information sharing for environmentally sound decision-making and implementation of multilateral environmental agreements (MEAs). The goal of this core activity under the UNEP-GEF Strategic Partnership is to design a Technology Transfer Network covering all GEF focal areas, i.e. climate change, biological diversity, international waters, and ozone layer depletion, as well as desertification and persistent organic pollutants (POPs) as far as they relate to the core mandate. The comprehensive network approach followed in this project responds to demand identified through the GEF implementing and executing partners. It will foster rapid transfer of cleaner technology alternatives to and within recipient countries. It will also promote the adoption of business practices consistent with global environmental agreements.

The Sustainable Technologies Alternatives Network is building on existing mechanisms to facilitate, foster and rationalize information exchange and develop common goals and strategic alliances between private and public partners to support clean

technology market development. It will offer tools for integrating the global environmental objectives covered by the GEF mandate in integrated business planning and decision-making. The Network will also support strategic market assessment, alternative feasibility studies and investment planning. It will facilitate access to technology and market information, venture capital and sources of advice. It will also disseminate models of best business practice.

Following consultation between the GEF Secretariat and UNEP, Terms of Reference (ToR) for a consolidated consultancy assignment were developed in March 2000 to allow rapid implementation of this project. The holistic approach underlying the ToR was intended to examine opportunities to integrate related UNEP project activities in a programmatic framework with a view to delivering a holistic package of technology information, assessment tools, training and advisory services to facilitate clean technology market transactions and investments in sustainable technology alternatives.

The bidding process started upon the finalisation of the ToR. The proposing consortia were requested to provide additional clarifications concerning key deliverables and staff assignments to enable informed decision making by the steering committee. Final responses from short-listed companies were received in September, and a recommendation to award the contract to a consortium was presented to the steering committee later that month. The steering committee endorsed this recommendation and the assignment became effective in October 2000.

The assigned consultancy is to design a largely Internet based network architecture and a business plan for the operation of a fully integrated Technology Transfer Clearinghouse, with the following underlying elements:

(a) A review of the lessons from existing public and private clearinghouses and corporate knowledge management systems (Task 1): The reviews are to identify lessons learned and to define the best ways and means to complement existing mechanisms. Specific attention will be drawn to the experience gained under UNEP's Ozone Clearinghouse, the Clearinghouses of the Convention on Biological Diversity and the GPA as well as other technology related knowledge management systems, in particular the ICPIC. Reviews of related UNEP activities such as the Global Wind and Solar Resource Assessment, the PV-Hydro Market Assessment and the Redirecting Commercial Investments to Cleaner Technologies project are proceeding and will be integrated in the overall assessment;

(b) Identification of specific clearinghouse activities and services to complement existing technology information and advisory services for private sector clients (Task 2). Specific network services that are being explored include:

(i) An on-line technology information and assessment engine for commercially available technology/business options,

(ii) An on-line information service on available financial tools and investment risk management instruments enabling instant access to banks, venture capital providers and insurance companies; and

(iii) An on-line marketing/procurement engine for cleaner technology/business alternatives which meet convention objectives;

(c) Exploration of networking potentials in the trade policy area, cross-cutting outreach, and establishment of links to existing networks of key private and public sector stakeholders (Task 3-5). This includes:

(i) Assessment of potentials for a clearinghouse cluster to encourage trade policies that promote the transfer of environmentally sound technologies;

(ii) Identification of suitable regional partners to deliver specific network services and to conduct regional networking/training/information exchange activities;

(iii) Set-up of a prototype internet-based network portal to enable instant access to network services/partners and to facilitate technology information exchange among interested partners; and

(iv) Design of financing modalities for cost recovery to ensure the sustainability of the Clearinghouse, including options for fees or contingent financing arrangements.

The figure at the end of the report provides an initial and illustrative long-term outlook on a possible network configuration. Delivery of the final results of the consultancy study is scheduled for March 2001 to allow presentation of a full-fledged network business plan to the GEF Council before May 2001.

Enhancing information exchange through corporate reporting: the Global Reporting Initiative

Increasingly business managers, investors, consumers, governments, and others are asking how we can obtain a clear picture of the human and ecological impact of business, in order to make informed decisions about investments, purchases, and partnerships. Achieving such clarity in measurement and reporting holds the promise of delivering value both to business— by providing a critical management tool—and to external stakeholders—by providing timely, relevant, and reliable information on the reporting organization.

In increasing numbers, businesses around the world are choosing to voluntarily publish environmental reports – already numbering at least 2000 – detailing their management systems and environmental performance. While these trends are encouraging, major obstacles remain before such reporting - from all sectors - can reach its potential as a vehicle for higher standards of corporate accountability and before such reports can effectively be used to benchmark the performance of companies and monitor their compliance with external commitments.

One key obstacle is the absence of a generally accepted reporting framework, which would greatly enhance the credibility, comparability and comprehensiveness of corporate sustainability reports. In the same way that financial reporting standards provide users with reliable and comparable information on a firm's financial condition, a common framework for sustainability reporting is essential to elevate the practice to the level of general acceptance by environmentalists, consumers, investors, communities, other company stakeholders and governments. Without such a framework, stakeholders, and companies themselves, will lack any ability to compare, benchmark, rate, and utilise performance information.

To meet this need, UNEP has joined forces with a number of leading international organizations in the Global Reporting Initiative (GRI). Since its inception in 1997, the GRI has worked to design and build acceptance of a common framework for reporting on the linked aspects of sustainability—the economic, the environmental, and the social. Although in the long term the GRI Sustainability Reporting Guidelines are intended to be applicable to all types of organizations, the GRI's initial development work has focused on reporting by business organizations. The GRI recognizes that the goal of reporting on the economic, environmental, and social dimensions of organization-level activity—let alone a fully integrated sustainability assessment—is at the earliest stages of a journey that will continue for many years.

The UNEP Division of Technology, Industry and Economics (DTIE) has for many years worked to stimulate individual companies - and industry associations through their membership - to report on their environmental performance and the implementation of their voluntary commitments in the form of codes of conduct and charters. Since 1994, UNEP and the London-based SustainAbility Ltd. have produced ten reports on corporate sustainability reporting through its joint Engaging Stakeholders Programme. This programme has developed a strong reputation among a variety of stakeholders as a credible authority on corporate reporting. This programme is designed to meet the ever-increasing demand for benchmarking corporate sustainability reports, and for further analysis of sustainability reporting at the sector-level. UNEP's key role in GRI since its inception is a logical extension of these reporting activities.

UNEP/SustainAbility Ltd
Engaging Stakeholders Programme

Current Reports:

1. Company Environmental Reporting, 1993
2. Engaging Stakeholders – Volume 1: 1996 Benchmark Survey
3. Engaging Stakeholders – Volume 2: Case Studies
4. 1997 Benchmark Survey
5. The CEO Agenda
6. The Non-Reporting Report
7. The Social Reporting Report
8. The Internet Reporting Report
9. The Oil Sector Report
10. Life and Science

Future Reports:

1. 2000 Benchmark Survey
2. The Automotive Sector

For further information please see http://www.sustainability.co.uk

The Global Reporting Initiative (GRI) is a long-term, multi-stakeholder, international undertaking whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organizations reporting on the economic, environmental and social dimensions of their activities, products and services. The GRI is a bold initiative in that it aims, in the longer term, to raise sustainability reporting to the same level of acceptance and consistency as financial reporting. To ensure the long-term value of these reporting practices, the GRI also seeks to develop and advocate greater transparency and understanding between stakeholders and greater use of such reports by both companies and stakeholders alike.

The GRI is convened by CERES (Coalition for Environmentally Responsible Economies) and UNEP. It also incorporates the active participation of companies, non-governmental organizations (NGOs), consultants, accountancy organizations, business associations, universities, and other stakeholders around the world.

The GRI is unique in that the success it has achieved to date is a direct result of the combined efforts and commitment of a multi-stakeholder, international coalition. If the GRI Guidelines are to become the generally accepted framework for sustainability reporting, then all key parties involved in reporting programmes must be actively involved in GRI. This has been successfully accomplished by GRI since 1997, and must continue and expand, in particular to non-OECD countries.

Following the initial success of GRI, including the release of the March 1999 Exposure Draft Guidelines, it has become clear that there is an increasing level of interest in engaging with GRI on the part of governments, companies and civil society institutions. A range of activities are now essential to further the effectiveness of the Guidelines and for the GRI to continue to play a role in catalyzing dialogue, learning on the issue of transparency and accountability, and further developing the Guidelines.

A permanent institutional structure and process is required in order to undertake these tasks. The GRI has received funding from the United Nations Foundation to establish a permanent, independent GRI under the auspices of the United Nations as a UNEP Collaborating Centre by the end of the year 2001.

The GRI Sustainability Reporting Guidelines

The GRI aims to help organizations report information in a way that:

(a) Presents a clear picture of the human and ecological impact of business activities, in order to facilitate informed decisions about investments, purchases, and partnerships;

(b) Provides stakeholders with reliable information that is relevant to their needs and interests and that invites further stakeholder dialogue and inquiry;

(c) Provides a management tool to help the reporting organization evaluate and continuously improve its performance and progress;

(d) Complements, not replaces, other reporting standards, including financial; and,

(e) Illuminates the relationship among the three linked elements of sustainability —economic (including but not limited to financial information), environmental, and social.

The GRI also aims to assist organisations report:

(a) In accordance with well-established, widely accepted external reporting principles, applied consistently from one reporting period to the next, to promote transparency and credibility;

(b) In a format that is easy to understand and that facilitates comparison with reports by other organisations.

The Guidelines do not:

(a) Provide guidance for implementing data collection, information and reporting systems, or organizational procedures for preparing reports;

(b) Contain guidance on monitoring performance or on verification practices;

(c) Present standards for performance.

The June 2000 GRI Sustainable Reporting Guidelines include a much stronger focus on the three linked elements of sustainability. The environmental indicators were prominent in the March 1999 exposure draft of the GRI Guidelines and were therefore reviewed and assessed in the pilot-testing phase. The social and economic indicators in the June 2000 Guidelines are experimental and will need to undergo a thorough testing and assessment during 2000-2002.

In addition, it should be noted that the three elements of sustainability are outlined in the Guidelines as separate reporting elements. However, over time, the GRI will move towards a more integrated reporting framework. This has begun with the 'integrated indicators' in the Guidelines.

Linked elements of sustainability:

Economic: including, for example, wages and benefits, labour productivity, job creation, expenditures on outsourcing, expenditures on research and development, and investments in training and other forms of human capital. The economic element includes, but is not limited to, financial information.

Environmental: including, for example, impacts of processes, products, and services on air, water, land, biodiversity, and human health.

Social: including, for example, workplace health and safety, employee retention, labour rights, human rights, and wages and working conditions at outsourced operations.

The June 2000 GRI Sustainability Reporting Guidelines have been translated into Dutch, English, French, German, and Japanese and can be downloaded from http:///www.globalreporting.org. It is expected that the Guidelines will be updated taking into account the feedback received – most likely in 2002.