Towards transparency: progress on global sustainability reporting 2004
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Introduction

There has been a great deal of activity in the business community since the Brundtland definition of ‘sustainable development’ was coined almost 20 years ago. In just under two decades, the business world has become subjected to increasingly greater scrutiny. The trend for better corporate governance and accountability has focused attention on the responsibilities an organisation has towards all its stakeholder groups and to the environment and society in which it operates.

Along with this emerging trend for greater organisational accountability has been the growing demand for more public information about how organisations conduct their business in the context of sustainable development. This can include policies, values statements, impact data, target setting, governance, management systems and stakeholder engagement processes. What has grown out of this search for greater organisational transparency is the practice of sustainability reporting.

This revolution in reporting has not been consistent throughout the world. In some countries, sustainability reporting has yet to emerge, although in others the pioneering reporters first started 15 years ago. For those who do report, there is also much inconsistency in the quality and scope of reporting. The escalating numbers of standards, codes, guidelines and regulations developing in different parts of the globe has naturally contributed to differences in reporting developments on a regional and country level.
To appreciate these differences in reporting, this publication adopts a regional approach to identify collectively the status in global reporting worldwide. For each of four geographic regions – Africa and the Middle East, the Americas, Asia and Australasia, and Europe – the following is provided:

- a historical overview
- a review of the main drivers for reporting
- a round-up of any mandatory requirements for reporting
- a list of achievements for the region in reporting
- a summary of where reporting is heading in the future.

This report has been made possible by collaborating with many people, not least our partner in this endeavour, CorporateRegister.com, which has provided the data used throughout. We would also like to acknowledge the contributions of the experts in each of the geographic regions who have provided the status on reporting in their respective regions. We are grateful to all the contributors, who are acknowledged in the ‘Contributors’ section.

This is the first time ACCA working with CorporateRegister.com has produced a global overview of this scale. It clearly demonstrates that there are many developments around the world – and while many countries are making excellent progress, there are many more where sustainability reporting is yet to be introduced in any meaningful way. As the benefits of producing sustainability reports become wide spread, it is expected that there will be an increase in non-financial reporting from a larger number of countries. It is anticipated that this Towards Transparency report will be produced regularly to track regional changes and developments, charting progress in sustainability reporting on a global basis.

**CORPORATEREGISTER.COM DATA**

Charts and statistics in this publication are based on data held on the CorporateRegister.com database. This online database includes all significant corporate non-financial reports, covering both hard copy and PDF formats. The term ‘non-financial’ is necessarily broad: it includes reports covering any of a range of issues eg environment, CSR, ‘sustainable development’, community, social. The range of report titles is equally broad. However, even in such an all-inclusive collection there must be boundaries. Stand-alone European EMAS statements (Eco-Management and Audit Scheme) are not included, unless these statements also represent a corporate environment report. The emphasis is on reports covering an entire company, so not every site report from every company is included. Relevant sections in annual reports are included, provided these sections are ‘significant’ – we usually judge sections of at least six pages to be suitable.

The bar charts have been simplified to show the big picture, rather than every detail: sectors and countries with fewer than 10 reports have not been included in these charts, although the statistics are reported elsewhere.
Global overview

In absolute figures, North America and Western Europe are the most active reporting regions. In contrast, non-financial reporting of any kind remains practically unknown in the Caribbean and most of Latin America. In Asia, there remains a low incidence of corporate reporting outside Australasia and Japan – and across Africa and the Middle East, only South Africa is showing significant reporting activity.
The last ten years have seen an upsurge in the take-up of corporate non-financial reporting around the world. In 1993, fewer than 100 reports were produced. By 1999, this figure had increased more than fivefold, and by 2003 there were over 1,500 documented reports produced annually worldwide. While significant growth continues in individual regions, evidence suggests that globally the number reporting is levelling off: after significant growth in the late 1990s, momentum has been slowing since 2000. Growth in Europe is slowing and in North America it is becoming static, but in Japan and Australasia it remains dynamic.

In absolute figures, North America and Western Europe are the most active reporting regions. In contrast, non-financial reporting of any kind remains practically unknown in the Caribbean and most of Latin America. In Asia, there remains a low incidence of corporate reporting outside Australasia and Japan – and across Africa and the Middle East, only South Africa is showing significant reporting activity.

As covered elsewhere in this publication, pressure on companies to report is increasing. In some cases these pressures are mandatory, while in others they are stakeholder driven. There has been a marked decline in the rate of take-up, however, and it appears that while the larger and more high-profile companies are already responding to these growing demands for increased transparency, fewer newcomers are accepting the challenge.

**EXTERNAL ASSURANCE OF REPORTS**

One of the most important elements for increasing the credibility and perceived status of non-financial reporting is the inclusion of an external assurance statement. In 2003, nearly 40% of all reports included external assurance compared with only 17% ten years previously. There are wide divergences in the adoption of external assurance: Europe and Australasia are currently leading the field but the Americas have much ground to make up.
Reports produced between 1990 - 2003

- Europe 58%
- Africa and the Middle East 2%
- The Americas 20%
- Asia and Australasia 20%

Source: CorporateRegister.com Spring 2004 (based on a sample of 6,619 hard copy and PDF reports)

Number of hard copy reports which have external assurance 1990 - 2003

Source: CorporateRegister.com Spring 2004 (based on a total of 1,485 hard copy reports with external assurance)
GLOBAL OVERVIEW

TYPES AND FORMATS OF REPORT
When the first non-financial reports emerged, almost all of them were environmental in scope. The largest proportion of reports is still environmental (over 40% in 2003) but the emphasis is shifting. As companies increasingly adopt a wider sustainable development approach, the reports are reflecting this: 30% are now categorised as sustainability, corporate responsibility, or social and environmental reports.

Reports in the early 1990s were produced exclusively in hard copy format but by the mid-1990s PDF formats accompanied these hard copies. A more recent innovation has been the adoption of HTML format. The use of HTML means companies are no longer constrained by the number of pages in the printed report – they can make large amounts of information available on the Internet.

GLOBAL DEVELOPMENTS
In 1990, two years before the first Earth Summit took place, environmental reporting (the main forerunner of sustainability reporting) was at an early stage. Neither accepted supporting guidelines nor accepted frameworks existed and non-financial reporting was, in general terms, little discussed and little understood.

In addition to this lack of awareness, there were few pressures on organisations to report. The rise of socially responsible investment (SRI) was yet to happen. Very few funds existed where companies were screened – positively or negatively – using ethical, social or environmental criteria.

Government support for public reporting did not exist. Few, if any, governments were aware of the importance of non-financial reporting or were forward thinking enough to encourage companies to take responsibility for their environmental and social impacts.

Types of report produced 2001 - 2003

- Sustainability 14%
- Corporate Responsibility 8%
- Annual with substantive non-financial sections 6%
- Community 3%
- Social 5%
- Environment and Social 8%
- Environment, Health and Safety 14%
- Environment 42%

Source: CorporateRegister.com Spring 2004 (based on a total of 3,637 hard copy and PDF reports)
Non-governmental organisations (NGOs) tended to target their campaigns on specific projects within individual companies, as opposed to their current concern with business-wide applicability, such as the issue of greater transparency. At this period, there was no recognition of the role business can play in addressing global environmental and sustainability issues. Ethical considerations were rarely taken into account when consumers made purchasing decisions. The Body Shop was arguably the most widely known company at the time whose retailing practices were ethically driven.

Against this background and based on its belief that greater transparency in reporting would be a vital element in developing a new spirit of corporate accountability, ACCA launched the world’s first environmental reporting awards in 1990. These awards achieved several important objectives in their initial years:

• they highlighted the business community’s role in sustainable development

• they raised awareness and understanding of environmental reporting issues, and promoted the need for this type of disclosure

• they demonstrated the need for all businesses to be accountable for all their impacts on society

• they showed that it was not just the shareholders who were interested in corporate activity, but that other stakeholders, too, had information needs (which were not being met)

• they encouraged a number of organisations to prepare environmental reporting guidance material

ultimately, by rewarding best practice and providing feedback via the judges’ reports, they helped to improve both the quality and the quantity of reporting we see in the world today.

ACCA is now involved in reporting awards in more than 20 countries throughout Europe, Africa, North America and the Asia Pacific region.
Case studies to demonstrate reporting in action have been included throughout this publication: all of these are award winners.

Now, in 2004, the picture has changed completely. Environmental reporting is no longer news: it is estimated that 1,500–2,000 environmental and sustainability reports are published annually, across all industry sectors.

Many drivers and pressures now exist which encourage businesses to report credible and complete information to their stakeholders. Over the past 15 years, mandatory environmental reporting has been introduced in some countries, including Denmark, France, the Netherlands, Norway and Hong Kong, and there have been many other developments and initiatives to improve the quality of reporting, some of which are indicated below.

There has been an exponential rise in SRI: nearly 50% of Europe’s financial institutions now offer SRI products. New funds are being launched worldwide, such as in Singapore and Malaysia. They are becoming strategically active: for example, Morley Fund Management expects all the UK’s FTSE 100 companies to publish a comprehensive environmental report. Where these companies do not publish such a report, Morley will vote against the resolution to adopt the report and accounts at the AGM. There is also greater government encouragement for businesses to publish environmental or sustainability reports. Some have even prepared guidelines for organisations to follow in order to produce one, including the UK, Japan, Canada, Germany, Australia and Hong Kong.

There is greater awareness of the importance of environmental risk measurement and reporting issues. This is now being addressed by bodies which historically have had a purely financial focus. For example, forthcoming UK legislation will require listed companies to prepare a mandatory operating and financial review statement (OFR), which will encourage those companies to make wider disclosures of environmental and social risks and impacts. This new requirement will take effect from 2005. In South Africa, the Johannesburg Stock Exchange (JSE) has implemented the new corporate governance recommendations of the King Committee, including a recommendation to incorporate sustainability reporting.

An increasing number of surveys have been undertaken to compare and comment on the standard of non-financial reporting. These surveys can be national in scope, such as SMEC and URS (Australia) and Stratos Inc. (Canada), or global (eg KPMG). The methodologies vary from survey to survey but in general they follow point-scoring criteria and are transparent in nature. The results of these surveys are used to benchmark reports and analyse the current state of reporting, and identify areas where further improvement is necessary.

There is wide debate and an increase in guidance and the number of standards for providing assurance for sustainability reports (eg the FEE discussion paper Providing assurance on sustainability reports, AA1000as, Swedish FAR recommendation and Standards Australia). A number of financial indices (eg Dow Jones Sustainability Index, FTSE4Good, JSE SRI Index) have been launched highlighting those companies which meet specific ethical, environmental, social or sustainability criteria (which can include the requirement for public reporting). Reporting guidelines (eg the Global Reporting Initiative (GRI)), values-based initiatives (eg UN Global Compact) and other stakeholder engagement frameworks (eg AA1000) have appeared. Such initiatives inevitably raise the standard of reporting.

There is an increasing level of engagement by NGOs in corporate accountability issues. NGOs have always wanted companies to disclose information, but are now
acting in concert to demand that companies publish relevant data and information, and be more transparent in their decision making and operations. Some NGOs have even written and published their own versions of reports for certain companies that they feel should be more transparent.

Global progress in sustainability reporting is indisputable. In a relatively short space of time much has been achieved, but we should not assume that the task is even half completed. The number of companies reporting is insignificant when compared with the total number of businesses operating in the world today. Granted, most of those who do report are also those with the largest societal and environmental impact, but we still have much more progress to make. We need to identify the dynamics of successful reporting and work to develop the necessary initiatives, codes, regulations or other factors which will remove the blockages in slower regions and business sectors. In order to take the reporting agenda forward we need to take stock of where we are now and where we mean to go.

Trends and challenges

Non-financial reporting has developed and changed in many ways since the first reports emerged 15 years ago. However, over this period, a number of clear trends can be seen and many challenges remain. These are summarised below.

THE TAKE UP OF REPORTS IS STILL CONFINED TO PIONEERING ORGANISATIONS
On a global scale, only a small number of companies – around 1,500 – are producing reports on sustainability issues. This publication shows that these few pioneering organisations have adopted the concept of the triple bottom line (economic, environmental and social). While there has been a notable increase in quality of disclosure, this has yet to translate into meaningful, comprehensive sustainability reports across all company sizes and sectors. The key challenge is for organisations to demonstrate the value of reporting to stakeholders, so that they can engage more and make the process of sustainability reporting more complete.

SUSTAINABILITY REPORTING IS NOT JUST FOR LARGE AND MULTINATIONAL COMPANIES
Sustainability reporting is still seen as a large and multinational company (MNC) activity – state-owned enterprises and small companies have yet to appreciate the benefits of reporting to a wide range of stakeholders on CSR issues. Indeed, in many regions and countries, it is the MNC site or country-specific reports which are helping to drive reporting forward among local companies.

However, for small and medium-sized enterprises (SMEs), the resource costs of collating data and publishing a report remains an inhibiting factor; the development of common standards and efficient guidance will help to make it more realistic for smaller organisations to produce reports.
MANY REPORTS STILL DO NOT ADDRESS RELEVANT, CORE BUSINESS ISSUES
Even in companies which have well-established reporting processes, the challenge remains to focus on completeness. For established reporters, there remains the difficulty of balancing the desire to focus only on material issues with the need to ensure that a complete picture is presented to all stakeholders. Organisations’ general understanding of the nature of sustainable development is not well communicated by many of those reporting. Many reports fail to address the biggest sustainability issues such as sector-specific impacts and global issues such as dependence on fossil fuels, human rights and labour issues.

In the US, there is evidence that fear of litigation is resulting in some organisations being wary of what is disclosed, while in Central Europe concerns that information is commercially confidential is marring progress towards greater transparency.

A NEW EMPHASIS ON NON-FINANCIAL REPORTING SHOULD ACT AS A SPUR FOR COMPANIES TO GO BEYOND THE MINIMUM
An increasing number of countries have introduced different types of mandatory non-financial reporting as part of the bigger emphasis being placed on it. Stock exchanges are in various stages of change with regard to their requirements and an increasing desire to promote accountability: there have been major steps forward in Australia, Canada, Japan, South Africa and the UK. Progress has also been made in countries such as Brazil and Hong Kong.

The picture is mixed though. Globally, the overall lack of mandatory requirements means that the uptake is slow even by the larger companies. In many emerging areas the reports tend to take the form of limited disclosure in the annual report rather than form the subject of a complete and comprehensive stand-alone report.

MAINSTREAM INVESTORS NEED TO DEVELOP GENUINE INTEREST IN SUSTAINABILITY REPORTING AS A MEANS TO EVALUATE LONG-TERM PROSPECTS
While pressure is being increasingly brought to bear by socially responsible investors, this has yet to be taken up seriously by mainstream investors.

Furthermore, the message that sustainability reports can be a source of competitive advantage has not been fully appreciated and more work needs to be carried out to demonstrate the benefits to all stakeholders. The reality is that sustainability reporting is a good index of how non-financial risks are being managed, an important aspect of overall corporate governance.

LOCAL, NATIONAL AND GLOBAL PRIORITIES AND THE NEEDS OF A BROADER GROUP OF STAKEHOLDERS NEED TO BE REFLECTED IN REPORTS
Many reports do not show evidence of adequate engagement with stakeholders. The perspective of reports needs to be broadened, to show evidence of engagement with a wider group of stakeholders, particularly national governments, local finance communities and NGOs. Reports need to move away from being a summary of corporate priorities and engage more widely with issues which are priorities for regions and countries in which the organisation is operating.

COMMON STANDARDS NEED TO BE ADOPTED MORE WIDELY IN ORDER FOR MEANINGFUL COMPARISONS TO BE MADE
There is an increasing adoption of common standards, not least through the GRI Guidelines. But progress needs to be maintained to ensure that reports are produced on a comparable footing. Vastly differing standards operate across all regions between the established reporters and those in countries which are beginning to produce reports. Common standards need to be established in order to achieve reporting credibility and comparability.
Comparability between sectors is also an issue. It is often difficult to compare different reports across sectors, different sized companies and varying organisational cultures.

**GOVERNMENTS CAN DO MORE TO ENSURE THAT GUIDANCE IS PROVIDED AT NATIONAL LEVEL**

Non-financial reporting guidance provided by government (in countries such as Australia, Canada, Denmark, Germany, Japan and the UK) has led to higher quality reports emerging from these countries. Although environmental indicators are well developed in many regions and reporting frameworks, there is still a lack of representative social and economic indicators which have wide currency. This suggests that governments can play an instrumental role in stimulating a culture of reporting and providing national frameworks.

**COMMUNICATION NEEDS TO BE THOROUGH AND NEW MEDIA PRESENT MANY OPPORTUNITIES TO INTERACT WITH STAKEHOLDERS**

Increasing acceptance of the Internet provides an ideal medium for non-financial reporting and ongoing performance updates. This trend is expected to continue, allowing content to be customised for audiences. Many pioneer reporters demonstrate how to communicate to good effect through their websites and the current trend is to produce a summary hard copy with the main report on the web. This usually includes an overview in the printed summary report (reports in Europe are now typically only about half the length they were in the 1990s) with access to greater detail online.

The online experience gives rise to new possibilities: local and national reports can be produced by MNCs, and there is an increasing number of multi-lingual reports (eg in Japan and Hong Kong).

**EXTERNAL ASSURANCE IS THE ONLY WAY TO ENSURE CREDIBILITY IN THE FUTURE**

Most reporters need to take additional measures to enhance the credibility of reported information: the production of the report is not sufficient on its own. External assurance is increasingly important and represents the next stage of development in sustainability reporting as approaches become more developed and demands of report-users more sophisticated. Organisations which fail to obtain assurance for their reports are likely to face issues of credibility.
Africa and the Middle East are relatively new to sustainability reporting. The first reports were published in 1993 and reporting has grown slowly. External assurance first appeared in 1998 and for the next two years all reports were externally assured.

There has been a surge in reporting since 2002, with more than three quarters of reports now having external assurance. However, reporting levels are still very low.
AFRICA AND THE MIDDLE EAST

Africa and the Middle East are relatively new to sustainability reporting. The first reports were published in 1993 and reporting has grown slowly. External assurance first appeared in 1998 and for the next two years all reports were externally assured.

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South Africa dominates reporting in the region and accounts for over two thirds (68%) of all reports published between 1993 and 2003. The rest of Africa produces just under a quarter of all reports (23%). Encouragingly, over 40% of reports are full sustainability or corporate responsibility reports.

HISTORICAL OVERVIEW
Sustainability and environmental reporting in most of Africa is still at a very early stage of development, with the majority of reporters and reporting developments occurring in South Africa. Reporting is rare in the Middle East, with only a handful of companies reporting across the entire region, for example in Oman.

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**Reports produced in Africa and the Middle East 1990 - 2003**

- South Africa 68%
- The Middle East 9%
- Rest of Africa 23%

Source: CorporateRegister.com Spring 2004 (based on a sample of 107 hard copy and PDF reports)
Hard copy reports with external assurance in Africa and the Middle East 1990 - 2003

Number of reports

Source: CorporateRegister.com June 2004 (based on a sample of 69 hard copy reports)

Types of report produced in Africa and the Middle East 2001 - 2003

Source: CorporateRegister.com Spring 2004 (based on a sample of 72 PDF and hard copy reports)
AFRICA AND THE MIDDLE EAST

MAIN DRIVERS FOR CHANGE IN REPORTING
The recently revised (2002) corporate governance report in South Africa, King Code II, is the first in any jurisdiction to include a comprehensive section on integrated sustainability reporting. The King Code II is a non-legislated code that is applicable to all companies listed on the JSE. This is set to push the reporting agenda forward in South Africa.

The JSE SRI Index has been launched in South Africa requiring companies in the FTSE/JSE All Share Index that choose to participate to report publicly, thus progressing developments in sustainability reporting.

Reporting change in South Africa is also driven by such factors as globalisation, interest in sustainability reporting by financial markets and government, and the emergence of next-generation accounting.

Ongoing corporate governance reform in Africa and the adoption as a benchmark of South Africa’s King Code II, by the New Partnership for Africa’s Development (NEPAD), have potential to become key drivers for sustainability reporting across the region.

EXISTING OR FORTHCOMING MANDATORY REQUIREMENTS TO REPORT
There are no mandatory requirements to publish environmental or sustainability reports in Africa or the Middle East.

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**Reports produced in Africa and the Middle East, 2001 - 2003**

- The Middle East 4%
- Rest of Africa 25%
- South Africa 71%

Source: CorporateRegister.com Spring 2004 (based on a sample of 72 POF and hard copy reports)
**ACHIEVEMENTS**

- Western companies are beginning to report on their African operations and impacts and to take African stakeholders into account.
- The JSE SRI Index has been launched in South Africa, establishing a focus for non-financial disclosure on a par with established socially responsible investment frameworks worldwide.
- A high proportion of South African non-financial reports have external assurance.
- South Africa’s King Code II was the first corporate governance report in any jurisdiction to include a comprehensive section on integrated sustainability reporting.
- In South Africa there is increased disclosure on HIV/AIDS, employment equality initiatives and social investment prioritisation (including Black Economic Empowerment).

**WHERE NEXT?**

The task ahead for Africa is to follow international trends in adopting guidelines and reporting on sustainability issues but to adapt them to the African context and African stakeholders’ needs for transparency and engagement.

The first signs of interest in CSR issues are becoming evident in the Middle East, but this has yet to be translated into a fully-developed focus on reporting.
REPORTING IN ACTION

AFRICA AND THE MIDDLE EAST

Best Sustainability Reporting Award 2003, South Africa:

Anglo American Platinum Corporation Limited

THE COMPANY
Its mission is to mine, process, refine, and market platinum and other metals and has a dominant international position. Anglo Platinum’s strategy is to develop and expand its markets, and operate cost effectively.

Anglo Platinum aims:
• to maintain and promote the safety and health of its employees
• to foster trust and respect internally and externally; develop its people; preserve assets and the environment; and create stakeholder value while conducting business honestly and with integrity.

A spokesman comments: “the cost of reporting itself is minimal … our employees and shareholders increasingly require that we are socially and environmentally responsible.”

PROCESS AND REPORTING
Anglo Platinum’s Annual Report has won the JSE and Institute of Company Secretaries’ Corporate Reporting Award in 2004 and has adopted the GRI Guidelines. All stakeholders receive a business report and a sustainability report and there are stakeholder open days for discussion.

PEOPLE AND CREDITIBILITY
Anglo Platinum’s central database is accessible by the company and its assurance providers. External assurance on data, GRI ‘accreditation’ and mining charter compliance are obtained and the company acts on the assurer’s feedback. Disclosing weaknesses is the essence of transparency and stakeholders can be confident that there is progress and challenges are being met.

THE BUSINESS CASE
Mining companies attract few investors, and are under pressure to disclose environmental, social, or full sustainability information. In the short term, Anglo Platinum’s relations with its stakeholders have improved and it believes in the long-term benefits of sustainable development initiatives. For example, Anglo Platinum’s HIV/AIDS programme for employees saved the company R42 million in 2003 and may save 1,400 lives a year.
The Americas

Between 1990 and 1995 the number of reporters increased steeply, although in recent years the level has reached a plateau. Since 1995, the proportion of reports with external assurance has doubled, although this figure is low in comparison with the rest of world. Between 2001 and 2003 almost two thirds of reports from the Americas were published in the USA and a third were published in Canada. Reports originating from South America accounts for only 6%.
Between 1990 and 1995 the number of reporters increased steeply, although in recent years the level has reached a plateau. Since 1995, the proportion of reports with external assurance has doubled, although this figure is low in comparison with the rest of world. Between 2001 and 2003 almost two thirds of reports from the Americas were published in the US and a third were published in Canada. Reports originating from South America accounts for only 6%.

HISTORICAL OVERVIEW
The current global movement in corporate non-financial reporting originated in the US in the late 1980s in response to a wealth of publicly available information driven by legislation (the ‘right to know’ legislation). In the US, CERES (Coalition for Environmentally Responsible Economies) was formed in 1989 to advance the notion of environmental, and latterly sustainability, reporting. Pressure from socially responsible US investors increased the amount of environmental reporting through the 1990s.

Canadian companies, particularly in the natural resources and utilities sectors, were pioneers in reporting at around the same time. They continue to produce large numbers of high quality reports covering a wide range of issues.

In South America, only Brazil is currently a significant reporting country. This started in the late 1990s with an emphasis on social reporting, following the proposal by the Brazilian Institute of Social and Economic Analysis for a social report model. In 2001, Instituto Ethos de Empresas e Responsabilidade Social (Business and Social Responsibility) built on this by publishing a guide for CSR reporting.
Hard copy reports with external assurance in the Americas 1990 - 2003

![Bar chart showing the number of hard copy reports with external assurance from 1990 to 2003.](chart.png)

Source: CorporateRegister.com June 2004 (based on a sample of 704 hard copy reports)

Types of report produced in the Americas 2001 - 2003

![Pie chart showing the distribution of report types from 2001 to 2003.](chart.png)

- Sustainability 15%
- Corporate Responsibility 12%
- Annual with substantive non-financial sections 5%
- Community 10%
- Social 6%
- Environment and Social 6%
- Environment, Health and Safety 24%
- Environment 22%

Source: CorporateRegister.com Spring 2004 (based on a total of 708 PDF and hard copy reports)
MAIN DRIVERS FOR CHANGE IN REPORTING
Various stakeholders in this region are making greater demands for corporate transparency. In Canada and the US, institutional investors, including pension funds, are playing a leading role in promulgating the non-financial reporting agenda, often using proxy voting policies to encourage public companies to disclose material environmental and sustainability information. US companies are also driven by the desire to reduce the burden of filling out duplicative investor surveys.

EXISTING OR FORTHCOMING MANDATORY REQUIREMENTS TO REPORT
There are no mandatory requirements to publish non-financial reports in this region.

ACHIEVEMENTS
- Canadian and US companies in a range of sectors are producing sustainability information and the best compare favourably with international leaders.
- GRI was conceived and initially developed in the US; the GRI Guidelines are now the most widely accepted standard for corporate sustainability reporting, worldwide.
- In Brazil a large number of companies are beginning to publish social reports, reflecting their increasing commitment to meeting demand.

Reports produced in the Americas 2001 - 2003

- South America 6%
- Canada 31%
- USA 63%

Source: CorporateRegister.com Spring 2004 (based on a sample of 708 PDF and hard copy reports)
WHERE NEXT?
In Canada, most annual financial reports include a management discussion and analysis (MD&A) to enhance shareholder understanding. New MD&A guidance calls on companies to broaden content beyond financial risk, by including environmental and social performance drivers.

Increasing interest from mainstream investors in issues such as climate risk will fuel increased disclosure on sustainability issues by US and Canadian companies. Facility-level (site-level) reporting guidelines are in development, involving CERES and the Tellus Institute in consultation with the GRI.

The GRI Guidelines have been translated into Portuguese for a Brazilian audience, which hopefully, will act as a spearhead for the development and adoption of sustainability reporting throughout South America.
Reporting in action

Best Environmental Report 2003, North America:

Dell Inc.

THE COMPANY
Dell is a Texas-based international provider of IT and Internet products and services. Michael Dell founded the company in 1984 to sell computer systems directly to customers.

THE BUSINESS CASE
Dell has implemented environmental initiatives since the early 1990s and has global ISO 14001 Certification. Dell began working toward the GRI Guidelines in 2003, developing the infrastructure for effective management of environmental impacts and to facilitate better reporting.

Dell’s vision is to create a company culture of environmental excellence. Environmental stewardship must be integrated into production so that products always operate safely, have extended life spans and reduced energy consumption, avoid environmentally sensitive materials, promote dematerialisation, and can be fully recycled. Redesign will save an estimated 400 tons of packaging materials and 1,100-tons of shipped corrugate and foam annually. Dell packaging is free of heavy metals, halogenated polymers, and ozone-depleting substances and will soon all be marked with the recycling emblem.

PROCESS AND REPORTING
An independent consultant benchmarked Dell’s reports against the computing industry and other reports and performed a gap analysis to show the scope for improvements. After an initial focus on environmental concerns, in 2003 Dell began using the GRI Guidelines to address issues more rigorously and communicate effectively with stakeholders – most importantly with employees.

PEOPLE AND CREDIBILITY
A global team with representatives from all parts of the company is responsible for establishing and managing Dell’s relationships and credibility with interested stakeholders. An internal team verifies everything put forward in the report, using the GRI framework. Dell also communicates with stakeholders through newsletters, conferences, personal correspondence, and its website. Dell aims for even greater levels of transparency in the future, now that the company has an understanding of the GRI and has obtained management buy-in.
Reporting in action

Best Sustainability Report 2003, North America:

Suncor Energy Inc.

THE COMPANY
Suncor Energy is a Canadian energy company developing Canada’s vast Athabasca oil sands. Suncor produced the first commercial barrel of synthetic crude oil in 1967 and now has new resource leases, new technologies and a vision for sustainable development.

THE BUSINESS CASE
Suncor’s 2002 sustainability report clearly summarises progress in seven areas, using graphical illustrations. After the Canadian government signed the Kyoto Protocol, Suncor was the first Canadian energy company to produce a cost analysis of Kyoto compliance, estimating $0.20 to $0.27 per barrel of oil. Suncor seeks to reduce GHG emissions and realise economic benefits, achieving an 18% reduction in emission intensity since the Kyoto agreement. Suncor balances the protests levelled against its proposed new plant alongside the plant’s advantages.

PROCESS AND REPORTING
Suncor started using the GRI Guidelines in 1999, achieving 80% alignment by 2001. A broad range of employees are involved in producing the report. The report advances understanding of the sustainability concept among employees and across the company between different business units. The clarity of the metrics gives people a clear sense of current position and future goals.

Suncor’s report focuses on good performance and is open and transparent about weaker areas, setting future targets for improvement and addressing shortcomings.

PEOPLE AND CREDIBILITY
Suncor has used third parties to verify economic, environmental and social data since 2001, and to conduct surveys among, and interviews with, stakeholders. The report details Suncor’s collaborations with stakeholders, shows the results of surveys of opinion leaders, government representatives and NGOs, and gives examples of Suncor’s work with environmentalists. For example, Suncor uses procedures shown to have the least environmental impact of those available.
Asia and Australasia

Reports started emerging from this region in the early 1990s but growth was limited until the late 1990s, when it suddenly became exponential. Three countries were almost entirely responsible for this increase: Australia, Japan and New Zealand. Growth doubled every year between 1996 and 2000 across these countries, only levelling off recently. Just under half have external assurance.
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Over half the reports published in the region between 2001 and 2003 were produced in East and South East Asia. Australasia accounted for 43% and South Asia just 1%.

In the period between 2001 and 2003, over half the reports produced were environmental reports, with an additional fifth having a strong environmental element. A further fifth of reports were full sustainability or corporate responsibility reports.

The large number of public sector reports published by the Hong Kong Government departments are not included in this data. Since the government implemented mandatory environmental reporting for all its agencies, the number of reports has risen significantly. In 1999, 76 environmental reports were published¹, rising to 84 in both 2000 and 2001. Due to various internal departmental changes, the reporting figure dropped slightly to 75 in 2002. It is estimated around 75 government bodies, departments and bureaux now report on an annual basis.

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¹ Source: CorporateRegister.com Spring 2004 (based on a sample of 1,332 hard copy and PDF reports)
Hard copy reports with external assurance in Asia and Australasia 1990 - 2003

Source: CorporateRegister.com June 2004 (based on a sample of 802 hard copy reports)

Types of report produced in Asia and Australasia 2001 - 2003

Source: CorporateRegister.com Spring 2004 (based on a sample of 893 PDF and hard copy reports)
HISTORICAL OVERVIEW
Reporting uptake by companies has been relatively slow in Hong Kong, with fewer than 10 reports a year on average, and few newcomers each year, since the emergence of the first stand-alone environmental, health and safety report in 1997.

Reporting activity in Singapore, Malaysia, Pakistan and India is emerging, although still low compared with Japan and Hong Kong. The concept of environmental and sustainability reporting is a relatively recent development with only a handful of pioneer companies publishing reports to date. A number of multinational companies are also helping to lead the way by publishing reports on their local operations.

By contrast, Australia and New Zealand have taken a leading role in developing reporting guidance and driving voluntary reporting. Reporting continues to gather momentum, with a strong representation from the mining sector. Over 40% of all reports in this region originate from these two countries. A high proportion of these reports have external assurance.

In Japan, early publication of guidance by the Ministry of the Environment and the Ministry of the Economy, Trade and Industry has had a remarkable influence in promoting the production of environmental reports.2

MAIN DRIVERS FOR CHANGE IN REPORTING
Among the limited private sector reporters in Hong Kong, the main driver for reporting has been the desire to demonstrate leadership in corporate responsibility. The government has introduced legislation for government agencies and has also held large, free seminars to promote reporting by private companies. Similar drivers may encourage greater uptake in reporting elsewhere in the region.

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[Diagram showing breakdown of reports produced in Asia and Australasia 2001 - 2003]
Corporate environmental and sustainability reporting has largely been a voluntary initiative in Australia and New Zealand, but impetus has been provided by a number of factors. Voluntary environmental management codes for minerals, electricity supply, and the plastics and chemicals industries, developed in the late 1990s in Australia, require signatories to undertake environmental reporting. Voluntary reporting guidelines and accompanying reports, produced by Environment Australia and the New Zealand Business Council for Sustainable Development, have contributed to an increase in take-up of reporting. A number of state environmental protection agencies have provided incentives for reporting by industry, and several ethical and socially responsible investment funds and research groups have fuelled the increased demand for reporting, specifically by listed companies.

In Japan, specific guidance has been a key driver, whether from government or the GRI Guidelines (available in Japanese). The expansion of the SRI market in Europe and North America is having a ripple effect on Japanese companies, encouraging corporate transparency.

In India and Pakistan, public and stakeholder engagement is increasing, but this has yet to be reflected in a drive towards corporate non-financial reporting.

EXISTING OR FORTHCOMING MANDATORY REQUIREMENTS TO REPORT

The Hong Kong government has led by example with its mandatory environmental reporting requirements, announced in the 1998 Policy Address by the Chief Executive of the Government of the Hong Kong Special Administrative Region (HKSAR), requiring all government departments and bureaux to publish an environmental report from the year 1999.

In Australia, the Corporations Law of the late 1990s mandated all listed companies and some public companies to report on performance against significant and relevant environmental legislation applicable to the entities, within their annual reports.

![Number of public sector reports produced by the bodies, bureaux and departments of the Hong Kong Government 1999 - 2003](source.png)
ASIA AND AUSTRALASIA

ACHIEVEMENTS

• In Hong Kong the public sector is mandated to report annually on its environmental performance.
• Australian companies in a range of sectors – notably the mining and water sectors – are reporting sustainability information. Benchmarking studies have shown that the quality of reports produced is improving, and is comparable to international best practice. External assurance of reports is becoming well established.
• Japan has produced a large number of high quality environmental reports, and is beginning to broaden the range of issues addressed to cover social and full sustainability aspects. Japan has the largest number of companies which use GRI Guidelines. Japanese companies are notable in that most of their reports conform to published guidelines – whether government or GRI – enabling effective comparison.

WHERE NEXT?

There are moves to increase the interest and uptake in non-financial reporting in this region. However, with the exception of Australia, New Zealand, Japan and to some extent Hong Kong, there is little evidence of this being translated into mainstream non-financial reporting.

However, the Japanese Ministry of Environment plans to establish a third party review scheme for environmental reports on a voluntary participation basis. It is estimated that the number of environmental reports published for domestic corporations larger than SMEs will increase within a few years. Japan is now planning to establish a simplified certification scheme for SMEs, which will require the publication of public environmental reports.


2 Eco-Friendly Corporate Activity Indicators by the Ministry of the Environment, The Voluntary Plan by the Ministry of the Economy, Trade and Industry, both 1992.

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Reports produced in Asia and Australasia 2001 - 2003

S. Asia 1%
Australia and New Zealand 43%
S.E. Asia and E. Asia 56%

Source: CorporateRegister.com Spring 2004 (based on a sample of 1,332 PDF and hard copy reports)
Reporting in action

Joint Winner – Best Environmental Report 2003, Malaysia:

Hartmann Malaysia Sdn Bhd

Hartmann Malaysia, part of the international Hartmann Group, specialises in moulded-fibre egg and industrial packaging.

**THE BUSINESS CASE**

Hartmann Malaysia views sustainable development as vital to business. The Group has developed its own system of environmental, health and safety measures. The biggest environmental impacts in Hartmann Malaysia’s manufacturing process are from the consumption of natural gas and electricity, and waste disposal. The company is committed to reducing these impacts.

For 2002, electricity and natural gas consumption were reduced by 14% and 21% respectively. Scheduled waste generation plunged by 62% and wastewater recycling reduced water consumption by 42%. Recycled raw materials, such as newspapers, are used in manufacturing. Production-line rejects are recycled. This effective sustainable development strategy has resulted in improved efficiency, increased growth and profitability.

**PROCESS AND REPORTING**

Hartmann Malaysia communicates its environmental policy to all stakeholders. Its report includes detailed financial data on cost savings from recycling and resource conservation. Plant modifications to reuse wastewater, and minimising the use of new wooden pallets have been calculated to save c. RM90,000p.a.

**PEOPLE AND CREDIBILITY**

Both management and employees are involved. Sustainable development and environmental reporting are steered by a committee of executives representing key management functions. The 2002 report was externally assured.

Hartmann Malaysia attempts to influence its suppliers and employees through training, meetings and written communications on sustainability issues. The company has clear strategies and detailed goals for further resource conservation and waste management. Human development and safety and health issues are key parts of its sustainability management system. One goal is a zero accident rate; the number of accidents and safety incidents fell by 50% in 2002.
Reporting in action

Best Environmental Report 2003, Singapore:

Sony Display Device (Singapore)

THE COMPANY
Sony Display Device Singapore (SDS), a division of Sony Electronics Pte Ltd, produces cathode ray tubes. The company established an Environmental Management System (EMS) in 1996, when it became the first company in Singapore to be awarded ISO 14001.

THE BUSINESS CASE
The report provides information on ethical and environmental policies and illustrates financial costs or savings resulting from environmental practices.

In 2003, SDS’s environmental expenses came to S$2.18m. Most of this was spent on reducing the environmental impact of the company’s operations. The waste reduction and energy conservation programmes saved S$3.78m, giving net savings of S$1.6m.

The discipline of disclosure and target setting has stimulated improvements in performance. By conducting regular stakeholder satisfaction surveys, SDS is better able to plan further improvements.

PROCESS AND REPORTING
SDS has been reporting for a number of years, in line with head office policy, but this is the first time it has participated in the ACCA Environmental Reporting Awards. A spokesman commented: “Social responsibilities have always been a key aspect of Sony’s corporate culture. The report allows us to communicate … our commitment to the environment”.

PEOPLE AND CREDIBILITY
Environmental Management Representatives ensure compliance with ISO 14001 and achievement of the company’s environmental objectives. The Technical Information Centre maintains the EMS through an environmental aspect review, environmental awareness training and an environmental audit, conducted by the environmental auditors.

INNOVATION AND OPPORTUNITY
SDS has a framework designed to meet its corporate objectives and address stakeholders’ expectations. SDS sends damaged or waste glass from cathode tubes to Japan for recycling. Each department is allocated a monthly paper quota.

The company takes part in community projects, showcasing its energy conservation programme in environmental exhibitions and organising a community photo competition to promote environmental awareness and appreciation of nature.
Reporting in action

Joint Winner – Best Sustainability Report 2003, Australia and New Zealand:

City West Water

THE COMPANY
City West Water (CWW) aims to provide affordable, safe water, sustainably. It provides water and sewerage/waste water services to Melbourne’s central business district, and inner and western suburbs, and is the city’s largest trade waste business.

THE BUSINESS CASE
CWW was the first retail water company in Melbourne to initiate sustainability processes and policies, identifying the company as a leader in water sustainability. CWW works with other water businesses and follows the Victorian Government’s Water Resources Strategy, which according to Brian O’Sullivan, Manager of Communications at CWW, is helping the company “make water a sustainable resource, instead of just a product for consumption”. The company has also pledged to the Environmental Protection Authority of Victoria that it will undertake a range of sustainability-related responsibilities and activities.

PROCESS AND REPORTING
CWW’s 2003 sustainability report involved each of the company’s 11 departments. Around 5% of the workforce contributed significant time over three months to the reporting process. Every year the processes are improved and production of the report becomes more efficient.

CWW’s business leadership team identifies areas of concern to be addressed in the report. The CWW Board also provides feedback during the reporting process. O’Sullivan asserts that “sustainability reporting is integral to City West Water because we are a transparent business, and we want to show people exactly what we are doing, rather than what we claim to be achieving.”

PEOPLE AND CREDIBILITY
Although the 2003 report was inclusive of stakeholder involvement and opinion there was less than in the 2002 report. The company held consultation sessions with staff and contractors, and sent out and conducted phone interviews with a number of community and government stakeholder groups. The company seeks to address stakeholder concerns better next time and has active plans in place to build on its current successes.

The report has external assurance, with the assurers basing their assessment on an agreed range of factors, including the GRI and the AA1000 Assurance Standard. These, and feedback from stakeholders, produced almost 200 verification-data points.
Europe

Europe has led the way in non-financial reporting, and accounts for just over half of all reports produced globally. Within Europe, a fifth of reports are published in Scandinavia and over three quarters come from the rest of Western Europe. Central and Eastern Europe reporters account for only around 2% of reports from this region. Almost two thirds of all European reports have an environmental focus, while a fifth are fuller sustainability and corporate responsibility reports. Of the reports produced in Europe in 2003, just under half had external assurance.
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Stand-alone EMAS statements are not included in this data unless these statements also represent a corporate environment report. Of the total number of statements submitted, 3,056 at June 2004¹, Germany produced just over two-thirds (1,703) and Spain, Austria, Italy and Denmark account for just under one-third (958) of statements produced. In Central and Eastern Europe, only Hungary, the Czech and Slovak Republics have produced statements.

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¹ Source: CorporateRegister.com Spring 2004 (based on a sample of 3,876 hard copy and PDF reports)
Types of report produced in Europe 2001 - 2003

- Sustainability 12%
- Corporate Responsibility 9%
- Annual with substantive non-financial sections 9%
- Community 1%
- Social 6%
- Environment and Social 7%
- Environment, Health and Safety 11%
- Environment 45%

Source: CorporateRegister.com Spring 2004 (based on a total of 1,964 POY and hard copy reports)

Hard copy reports with external assurance in Europe 1990 - 2003

- Hard copy reports
- Reports with external assurance

Source: CorporateRegister.com June 2004 (based on a sample of 2,901 hard copy reports)
HISTORICAL OVERVIEW
Western Europe has been at the forefront of non-financial reporting since the early 1990s, and produces the greatest number of published reports, reporting guidelines, award schemes and stakeholder encouragements. Early reports were published by companies in sectors spotlighted in the media and by campaign groups – especially the petrochemicals, chemicals and utilities sectors – but now cover all business sectors. Initially, reports were environmental only, sometimes supplemented by employee health and safety, but from the mid-1990s the scope widened to include community, social and ethical issues.

MAIN DRIVERS FOR CHANGE IN REPORTING
In Western Europe, stakeholder demands for disclosure on both generic and sectoral issues – increasingly from SRI analysts – have encouraged companies to publish information. There is also competitive pressure on large companies to report, especially in sectors with a high proportion of reporters, such as utilities and chemicals.

Where clear guidance is available, both the quality and quantity of reporting has improved. Across Western Europe business associations, governments (for example, those of the UK, Denmark and Germany) and academic institutions have published guidelines, reporting blueprints and information resources.

Companies in Eastern and Central Europe are driven by integration into the global economy and the pressures for transparency that accompany political transitions. Also in this region, the GRI Guidelines (available in Russian) and other guidance will be important: the GRI Guidelines have recently been piloted in Croatia, the Czech Republic, Hungary, Poland, Serbia and Turkey.²

EMAS (1995, expanded 2001) aims to encourage companies to develop environmental programmes and management systems, and to report publicly by way of triennial statements (similar to environment reports). It has had great success in Germany but less in other countries, and take-up is levelling off.
Reports produced in Europe 2001 - 2003

Source: CorporateRegister.com Spring 2004 (based on a sample of 1,964 PDF and hard copy reports)

Source: CorporateRegister.com Spring 2004 (based on a sample of 1,964 PDF and hard copy reports)
EXISTING OR FORTHCOMING MANDATORY REQUIREMENTS TO REPORT

Denmark adopted a Green Accounts scheme in 1996, obliging several thousand companies with significant environmental impacts to publish statements to the public and to authorities, or face fines. They must be in layperson’s language and disclose both risks to employees from the company’s activities and any pollutants emitted. There have been legal obligations to report in the Netherlands since 1999. Norway and Sweden now have legal requirements for brief coverage of environmental aspects in the annual financial report, while France has mandatory requirements for both environmental reporting and social reporting. In Sweden, from 2004, information on employees’ sick leave, the proportions of males and females, and corporate governance issues will appear in the annual financial report.

In the UK, forthcoming legislation will require listed companies to prepare a mandatory OFR statement from 2005, encouraging them to make wider disclosures of environmental and social risks and impacts (ie those potentially affecting their market value) than they have historically been required to make.

There is no mandatory requirement to publish an environmental or sustainability report in Eastern or Central Europe.

ACHIEVEMENTS

• Western Europe has the highest productivity in non-financial reporting of any global region, both in quantity and in quality of reporting, with reporting becoming increasingly a mainstream corporate activity among leading companies.

• There is the broadest range of non-financial issues reported in Western Europe, from human rights to climate change, governance, risk management, supply chain issues and ethics.

• In response to increasing stakeholder demands for enhanced credibility of reports, Europe now has a high proportion of reports with external assurance. Several European organisations have developed assurance guidelines, which are improving the integrity, robustness and overall quality of external assurance.

WHERE NEXT?

Approaches to reporting are uneven across the region, reflecting disparities in corporate cultures, different stakeholder expectations and different levels of awareness surrounding CSR issues in general. There are no signs that the quality and quantity of reporting in established reporting countries will diminish, however, and many signs that both will grow across Southern, Central and Eastern Europe.

Reporting is not an end in itself, but part of a process towards sustainable development, communicating corporate approaches and performance and engaging all key stakeholders. The prospects for reporting, particularly across Central and Eastern Europe, will be much enhanced if reporting is seen as part and parcel of business integration into an enlarged Europe, in line with the expansion of the EU.

Ideally, in the long term, sustainability reporting will be as routine as financial reporting throughout Europe and corporate reports will allow stakeholders to assess with confidence the extent to which organisations actually contribute to the evolution of equitable and sustainable communities and societies. Small steps have been taken in that direction, but many more remain.

1http://europa.eu.int/commission/environment/emas/registration/sites_en.htm

2Cherp, A. 2004
Reporting in action

Best European Sustainability Report 2003:

Novo Nordisk A/S

THE COMPANY
Novo Nordisk is an international Denmark-based bio-tech health care company.

THE BUSINESS CASE
By undertaking sustainability reporting, the company has earned ‘trust capital’, enhancing its reputation for its investments, business relations and employment. Novo Nordisk has made substantial savings. For example, a recent programme in France recycled around 5,000 tonnes of solid waste, with a large financial saving.

Sustainability reporting has improved operational excellence, with ISO14001 certification achieved in 11 production plants. Sustainability-driven projects address important social issues, such as energy use, and enable improvement of business processes.

The key social issue is access to healthcare, and to treat the patient, not just the disease.

PROCESS AND CREDIBILITY
A combination of environmental and stakeholder concerns encouraged Novo Nordisk to begin reporting in 1994, a year before Danish legislation made this compulsory.

The report accounts for performance in a transparent way, demonstrating recognition of the key issues and response to stakeholders’ concerns. It drives work on sustainability, with targets linked to business performance by integrating them in a balanced scorecard. Data are collected globally and performance is tracked over time. New socio-economic and other indicators are being developed. Novo Nordisk follows the GRI Guidelines, and supports global standards to facilitate comparisons.

The greatest challenge has been to find new approaches and new ways of presenting results. The report has now become a full sustainability report (triple bottom line), with individual reports for the largest production sites, and a concise sustainability report, succinctly covering the main activities.

Novo Nordisk’s report is externally assured, ensuring that the company is systematic and accountable and that internal data management is fully controlled.

ININVOLVING STAKEHOLDERS
Novo Nordisk invites comment from stakeholder representatives on key issues.

The reporting process has made staff very proud of the company and its proactive role in sustainability issues, with a positive impact on loyalty, motivation, and recruitment.

LOOKING TO THE FUTURE
The challenge is to integrate sustainability into every business decision.
The Global Reporting Initiative

First published in 2000, the GRI Guidelines for Sustainability Reporting provide the only generally accepted set of sustainability reporting guidance available to organisations wishing to report publicly on their sustainability performance. The guidelines were revised in 2002 and are currently being cited by over 500 organisations worldwide.
GRI itself was a response to a significant rise in the number of environmental and social reports being issued in the period 1990–97. These reports were normally organisation-specific and lacked the basic requirements of consistency, verifiability and comparability. The mission of GRI was to rectify these weaknesses by providing a standardised and generally accepted sustainability reporting framework.

The GRI is a multi-stakeholder initiative bringing together reporting organisations, the NGO and investment communities, employee groups and other interested parties, such as assurance providers and regulators. Much of the legitimacy accorded to GRI flows from its multi-stakeholder approach.

THE GUIDELINES
The 2002 Guidelines represented a significant step forward for sustainability reporting, containing an improved set of environmental indicators, alongside much-expanded sets of social and economic performance indicators. The 2002 Guidelines are divided into four parts:

Part A – Using the Guidelines
This section provides an informative overview of the Guidelines as a whole, including a description of what they are, who should use them and how to prepare a sustainability report using them.

Part B – Reporting principles
This section provides a cohesive framework of reporting principles similar to (but wider in scope than) the framework of principles underpinning financial reporting. Reporting organisations should be able to demonstrate that the published report has been prepared in accordance with the principles set out in this section.

Part C – Report content
This section contains a description of the content of a GRI report. A GRI report consists of:

• a statement of vision and strategy
• a profile of the reporting entity
• a description of its governance structure and management systems
• a GRI content index
• performance indicators covering economic, environmental and social performance issues.

Part D – Glossary and annexes
As well as a glossary, this section contains a number of annexes on issues such as credibility, assurance and incremental application of the Guidelines.

TAKE UP
As noted above, by mid-2004 some 500 organisations from over 40 countries around the world were citing the 2002 GRI Guidelines in their annual non-financial reports. These reporters were primarily (but not exclusively) from the private sector. The leading sectors in terms of issuing GRI-influenced reports were basic materials, consumer goods, financial, information, communication and technologies, utilities/community services and transportation.

‘IN ACCORDANCE WITH’
The 2002 GRI Guidelines contain a mechanism through which reporters can state that they are reporting ‘in accordance with’ the GRI framework. To be ‘in accordance with’ GRI, a report must apply the reporting principles of Part B of the Guidelines, and must identify and explain any digression from the recommended GRI disclosures, either in terms of the recommended performance indicators or the recommended narrative elements of the Guidelines (such as the description of governance processes and
management systems). The report must also contain a GRI content index which effectively reconciles the indicators contained in the report with the GRI performance indicators. As of mid-2004 there were 26 organisations listed as reporting ‘in accordance with’ the 2002 Guidelines.

ASSURANCE
GRI argues that independent external assurance is an important tool in adding credibility to a published sustainability report but it stops short of making such an assurance approach a mandatory part of the ‘in accordance with’ criteria discussed above. GRI recognises that there exist alternatives to a formal external assurance exercise. These include internal audit procedures and certification against internationally recognised management standards such as ISO 14000.

External assurance procedures have been criticised in the past for the lack of a standardised and generally accepted approach. Increasingly this ‘credibility gap’ is being filled by the use of new assurance tools such as ISAE 3000 (issued by the International Audit and Assurance Standards Board) and AA1000AS (issued by AccountAbility).

SECTORAL VARIANTS
GRI has acknowledged that one size does not fit all when it comes to sustainability reporting. As a consequence, it has begun to develop a framework of sectoral variants to accommodate the different performance indicators needed by, and the different reporting issues faced by, reporters from different sectors. There are currently pilot variants available for the telecommunications, automotive, financial services, and travel and tourism sectors. Work is also underway on variants for the mining and metals sector and for the public sector. Variants are developed via the same multi-stakeholder process which underpins the core Guidelines themselves.

SMES AND REPORTERS FROM DEVELOPING COUNTRIES
GRI recognises that SMEs and reporters from developing countries face particular problems in developing fully-fledged sustainability reporting processes. To assist them, GRI recommends an incremental approach to sustainability reporting, which usually involves a ‘staged’ adoption of different elements of the Guidelines over a number of years. Over time, SMEs and reporters from developing countries may enhance their reporting capabilities such that they are able to reach ‘in accordance with’ status. GRI would expect reporters adopting the incremental approach to be transparent about their reporting aims and objectives.

THE FUTURE
GRI plans to publish a fully revised set of Guidelines in 2006. The next edition of GRI will include improved performance indicators, an extended discussion on assurance issues, and guidance on the IT aspects and internal management impacts and benefits of reporting. In addition, the revised Guidelines will harmonise the expanding GRI ‘family’ of documents, including sectoral variants and measurement protocols.

GRI does not currently plan to use the 2006 revision to explore the possibility of convergence between sustainability reporting and financial reporting. Conventional financial reporting disclosures are being continuously expanded through new reporting requirements such as the MD&A in Canada and ad hoc social and environmental disclosures required under statute in different countries (for example, in France and the US). GRI encourages the extension of sustainability-related disclosures in the annual report and accounts package and will seek to work with those responsible for setting financial reporting standards to ensure the comparability and consistency of such disclosures with the GRI Guidelines.
THE REGIONAL MAKE-UP OF GRI

As a global initiative, the GRI has always striven to be as inclusive as possible with regard to types of stakeholder and their technical input, and also to include many participants from a broad geographical base. The following table summarises the regional spread of GRI.

<table>
<thead>
<tr>
<th>Region</th>
<th>Board of Directors (no. of people)</th>
<th>Stakeholder Council (no. of people)</th>
<th>Users and referrers of GRI (no. of reporters)</th>
<th>In accordance with GRI (no. of reporters)</th>
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</thead>
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Further information

INTERNATIONAL
ACCA  www.accaglobal.com/sustainability
CorporateRegister.com  www.corporateregister.com
AccountAbility  www.accountability.org.uk
Global Reporting Initiative  www.globalreporting.org
United Nations Global Compact  www.unglobalcompact.org
The International Federation of Accountants  www.ifac.org
World Business Council for Sustainable Development  www.wbcsd.ch

SOUTH AFRICA
King II Report on Corporate Governance 2002  www.iodsa.co.za
JSE SRI Index  www.jse.co.za
Department of Minerals and Energy (broad based socio-economic charter for the South African Mining Industry)  www.dme.gov.za

THE AMERICAS
Government of Canada’s Sustainability Reporting Toolkit  www.sustainabilityreporting.ca
Sustainability Reporting Program  www.sustreport.org
Guide to Corporate Social Responsibility Annual Report and Statement  www.ethos.org.br
The Ibase Social Report Model  www.ibase.br

ASIA AND AUSTRALASIA
Sustainability: A Guide to Triple Bottom Line Reporting  
– www.group100.com.au

EUROPE
The Fédération des Experts Comptables Européens (The European Federation of Accountants, FEE) has published external assurance guidelines and information on environmental and sustainability reporting  
www.fee.be

The Institute for the Accountancy Profession in Sweden, FAR has published a national recommendation for assurance engagements on sustainability reports  
www.far.se

Cherp, A. 2004. Corporate Sustainability Reporting in Eastern Europe: First Experience and lessons learned  
wwwceu.hu/envsci/grirepor/index.html

The UK Government’s Department of Environment, Food and the Regions: General Guidelines on Environmental Reporting (2001), specific guidance waste (June 2000), water (December 2000) and greenhouse gas reporting (June 1999)  
www.defra.gov.uk/environment/envrp/index.htm

The European Sustainability Reporting Awards (ESRA) are the only regional reporting awards held worldwide. The Awards scheme is a partnership of 15 accountancy bodies from 15 European countries.  
www.accaglobal.com/sustainability

REPORTING IN ACTION: CASE STUDIES
Anglo American Platinum Corporation Limited  
www.angloplatinum.com

Dell Inc.  
www.dell.com

Suncor Inc.  
www.suncor.com

Hartmann Malaysia Sdn Bhd  
www.hartmann.dk

Sony Display Device (Singapore)  
www.sony.com.sg

City West Water  
www.citywestwater.com.au

Novo Nordisk A/S  
www.novonordisk.com
About ACCA

ACCA is the largest and fastest-growing international accountancy body. We serve 320,000 students and members in 160 countries through more than 70 staffed offices and other centres. ACCA’s mission is to work in the public interest to provide quality professional opportunities to people of ability and application, to promote the highest ethical and governance standards and to be a leader in the development of the accountancy profession.

ACCA has promoted greater transparency in the reporting of organisations’ social and environmental impacts for over a decade. ACCA is involved in reporting awards in more than 20 countries throughout Europe, Africa, North America and the Asia Pacific region.

In addition, we participate in a number of influential organisations, including the Global Reporting Initiative (GRI). In recognition of our UK social and environmental issues programme, we have been awarded a Queen’s Award for Sustainable Development.

ACCA issues a free quarterly web-based newsletter, Accounting & Sustainability, providing a comprehensive guide on developments in accounting and sustainable development.

Further information on ACCA is available on ACCA’s website, www.accaglobal.com/sustainability
About CorporateRegister.com

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