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REPORT OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING ON ITS FIFTEENTH SESSION

Held at the Palais des Nations, Geneva,
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Chapter I

RECOMMENDATIONS ADOPTED BY THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

For Governments and the international community

A. Environmental accounting

1. Accounting and reporting for the environment has become increasingly relevant to enterprises (whether they be businesses, non-profit organizations or government enterprises, such as municipalities and crown corporations) because how an enterprise's environmental performance affects its financial health is of increasing concern to investors, creditors, governments and the public at large. Some users of financial statements want to know the extent of a company's environmental exposure and how the company is managing its environmental costs and liabilities. In order to improve the quality of accounting and reporting for environmental costs and liabilities, policy makers and national standard-setters need to give more guidance on how the traditional financial accounting framework could be used to produce useful information on environmental transactions and performance. The technical position paper (Annex) endorsed by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) is put forward for the consideration of Governments, enterprises and other interested parties in order to contribute to both the quality of environmental accounting and reporting and its harmonization.

2. ISAR requests Governments and international and regional organizations to assist UNCTAD in the dissemination of ISAR's position paper, including cooperating in the organization of regional workshops.

B. Strengthening of the profession in developing countries and economies in transition

3. Given the need to strengthen the accountancy profession in developing countries and economies in transition so that accountability and financial transparency are increased in both the public and private sectors,

Calls upon Governments and international and regional organizations to work with UNCTAD to create an enabling environment for the development of the profession, specifically by closing the education gap between the developed and developing countries by undertaking the following measures:

- development of a global curriculum to serve as a benchmark indicating the courses of studies needed to educate fully qualified accountants capable of functioning in a global economy;

- identification and elaboration of any other requirements necessary to develop fully qualified accountants;

- support to UNCTAD's programme for long-distance training in least developed countries, particularly in Francophone African countries.

C. Accounting for small and medium-size enterprises

4. Given the significant contributions small and medium-size enterprises (SMEs) make to the effective functioning of the market economy and to the generation of employment, growth and sustainable development, and the necessity to determine the appropriateness of international accounting standards for use by SMEs,

Calls upon Governments to cooperate with UNCTAD in the identification of the accounting needs of SMEs in their countries and to provide information on any accounting rules currently in force for SMEs.

For the UNCTAD secretariat

A. Asian crisis and disclosure

5. UNCTAD should undertake together with the Asian countries in the Group a research project on the recent Asian financial crisis from the perspective of accounting and auditing, identifying room for improvement in the accounting and auditing systems and drawing lessons for the prevention of future crises, and should report back to ISAR as soon as possible.

B. Environmental accounting

6. UNCTAD should publish and disseminate ISAR's position paper on accounting and financial reporting for environmental costs and liabilities as widely as possible. Also, it should include in *International Accounting and Reporting Issues: 1998 Review* the position paper and the two background documents - “Accounting and reporting for environmental liabilities and costs within the existing financial reporting framework” and “Linking environmental and financial performance: A survey of best practice techniques”. The annual *Review* should be published in at least three official languages in order to enhance its usefulness to developing countries.

7. UNCTAD should prepare training materials based on the *Review* for use in regional workshops and organize with interested parties workshops in environmental accounting for developing countries and economies in transition.

8. UNCTAD should continue its research on the development of environmental performance indicators which could be linked to financial performance indicators. It should request the IASC, IFAC, ISO, UNEP and other relevant organizations such as NGOs to join in a cooperative effort, and it should report back the results of this work to ISAR at an appropriate time.

C. Accounting education

9. UNCTAD should continue its work on the development of a global curriculum in cooperation with relevant bodies such as IFAC, ASCA and ACCA, as well as on other requirements necessary for producing fully qualified accountants. It should report back its results to ISAR at its sixteenth session.

10. UNCTAD should continue its efforts to strengthen long-distance learning programmes in Francophone Africa in cooperation with other organizations specialized in distance-learning and seek funding for this programme.

D. Accounting for SMEs

11. UNCTAD should begin work on this topic and report back to the seventeenth session of ISAR. Specifically, it should:

- analyse the accounting and reporting needs of SMEs in various developed and developing countries and economies in transition;
- determine the appropriateness of international accounting standards for use by SMEs;
- identify best practices among various countries in accounting for SMEs;
- make preliminary recommendations for elaborating an accounting and reporting model (basic rules and formats) for use in developed and developing countries and economies in transition with a view to promoting the harmonization of practices in different countries;
- develop training modules for accounting by SMEs, particularly for UNCTAD's EMPRETEC programme.

E. Government accounting

12. Taking into account the fact that there is a need for developing standards for government accounting, UNCTAD should commission studies, resources permitting, of the present practices in government accounting for possible future consideration by the Group as an agenda item.

Annex to recommendations

Position paper: Accounting and financial reporting for environmental costs and liabilities

A. Purpose and Focus of the *Position Paper*

1. Since the late 1980s, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) has given extensive attention to issues relating to environmental accounting, and has undertaken a number of surveys at the national as well as at the enterprise level. In 1991, it reached agreement on a number of items that it felt could be considered by the board of directors for disclosure in its report or management discussion, in order to deal with relevant environmental issues. In 1995, its thirteenth session was devoted exclusively to the subject of environmental accounting. During that session, ISAR noted that although considerable research was already under way, a significant effort was still required to study and evaluate the information being produced, so as to identify the most appropriate guidance that should be given to Governments and other interested parties. It concluded that providing such guidance was important. Without its prompt development, ISAR felt that differences would arise, and member States would subsequently find

themselves in the position of having to reconcile their independent standards and procedures with those of other member States.

2. The purpose of this *Position Paper on Accounting and Financial Reporting for Environmental Costs and Liabilities* is to provide assistance to enterprises, regulators and standard-setting bodies on what is considered best practice in accounting for environmental transactions and events in the financial statements and associated notes. The sections on measurement and presentation are based on a synthesis of positions developed, or being developed, by standard-setting and other organizations, and includes extracts taken from some of the related documents. The section on disclosure is more extensive than that contained in the documents referred to, and includes some of the disclosures previously proposed by ISAR.

3. ISAR recognizes that a number of these issues are under consideration by the International Accounting Standards Committee (IASC). This *Position Paper* attempts to bring together in one place most of the issues which have been raised in corporate accounting and reporting of environmental impacts. It is unlikely that the IASC will issue such a comprehensive statement in the near future. It is more likely that it will incorporate environmental issues in each of its individual standards, as appropriate. This approach could take a number of years.

4. *The focus of this* Position Paper *is on the accountability of the management of an enterprise for financial implications of managing the environmental resources entrusted to it and that are linked to the enterprise's activity*.

5. The stated objective of financial statements as contained in the *Objectives of Financial Statements* issued by ISAR (1989) is to provide information about the financial position of an enterprise, which is useful to a wide range of users in making decisions and is necessary for the accountability of management for resources entrusted to it. The environment is a resource that is significant to many enterprises, and it must be managed efficiently for the benefit of both the enterprise and society.

B. Need to Account for Environmental Costs and Liabilities

6. Accounting for the environment has become increasingly relevant to enterprises (whether they be businesses, non-profit organizations or government enterprises, such as municipalities and crown corporations) because issues such as the pollution of the environment have become a more prominent economic, social and political problem throughout the world. Steps are being taken at the national and international level to protect the environment and to reduce, prevent and mitigate the effects of pollution. As a consequence, there is a trend for enterprises to disclose to the community at large information about their environmental policies, environmental objectives and programmes undertaken, and the costs and benefits related to these policies, objectives and programmes, and to disclose and provide for environmental risks.

7. How an enterprise’s environmental performance affects its financial health and how financial information relating to such performance can be used to assess environmental risk, and the management of such risk, are often matters of concern to investors and their advisers. Creditors have similar needs, but an added factor is the possibility of having to take on the responsibility for rectifying

environmental damage should a debtor default on a loan for which it has pledged land as security; the amount involved may be significantly greater than that of the original loan. Owners and shareholders are particularly interested because of the potential impact environmental costs may have on the financial return on their investment in the enterprise. Other interested parties would include customers, suppliers, regulators, the general public, and those acting on their behalf. The information provided should be presented in such a manner as not to jeopardize business confidentiality in sensitive areas or the competitive position of the enterprise.

C. Scope

8. This *Position Paper* deals with accounting for and reporting of environmental costs and liabilities arising from transactions and events that affect, or will likely affect, the financial position and results of an enterprise and, as such, should be reported in an enterprise's financial statements. The recognition and measurement of costs or events that are not absorbed by the enterprise are not covered. Examples of such costs (often referred to as external costs) can include those relating to the negative impacts of air pollution and water pollution on the environment, which are borne by society at large rather than the enterprise.

D. Definitions

9. The following terms are used in this *Position Paper* with the meanings specified:

> The *environment* comprises our natural physical surroundings and includes air, water, land, flora, fauna and non-renewable resources, such as fossil fuels and minerals.
>
> An *asset* is a resource controlled by an enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise.
>
> A *liability* is a <u>present</u> obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.
>
> A *contingent liability* is a <u>potential</u> obligation arising from past events that exists at the balance sheet date, but whose outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events that are outside the control of the enterprise.
>
> *Environmental costs* comprise the costs of steps taken, or required to be taken, to manage the environmental impacts of an enterprise's activity in an environmentally responsible manner, as well as other

costs driven by the environmental objectives and requirements of the enterprise.[1/]

Environmental assets are environmental costs that are capitalized because they satisfy the criteria for recognition as an asset.

Environmental liabilities are obligations relating to environmental costs that are incurred by an enterprise and that meet the criteria for recognition as a liability. When the amount or timing of the expenditure that will be incurred to settle the liability is uncertain, "environmental liabilities" are referred to in some countries as "provisions for environmental liabilities".

To *capitalize* is to record an environmental cost as an integral part of a related asset, or as a separate asset, as appropriate.

An *obligation* is a duty or responsibility to others that entails settlement, by future transfer or use of assets, provision of services or other yielding of economic benefits, at a specified or determinable date, on occurrence of a specified event, or on demand.

A *legal obligation* is a statutory, regulatory or contractually based obligation. A *constructive obligation* is one that can be created, inferred or construed from the facts in a particular situation, rather than being legally based,[2/] or that arises from ethical or moral considerations[3/] and that an enterprise has little or no discretion to avoid.

10. Accounting for environmental costs and liabilities is covered by various basic concepts of accounting that have evolved. Of particular relevance are the definitions of "liabilities" and "assets". Additional disclosures may, however, be necessary or desirable to fully reflect various environmental impacts arising from the activities of a particular enterprise or industry.

E. Recognition of Environmental Costs

[1/] Examples include costs of disposal and avoidance of waste, preserving or improving air quality, cleaning up oil spills, removing asbestos from buildings, researching for more environmentally friendly products, and carrying out environmental audits and inspections. As noted in paragraph 45, what is included as an environmental cost will require judgement.

Fines, penalties and compensation would be regarded as environmentally related costs, and would not be included in this definition of environmental costs, but would be disclosed separately.

[2/] For example, there may not be any legal obligation for an enterprise to clean up an oil spill in a particular jurisdiction, but the enterprise’s reputation, and its future ability to operate in that jurisdiction, may be significantly at risk if it fails to do so.

[3/] Sometimes referred to as an equitable obligation.

11. *Environmental costs should be recognized in the period in which they are first identified. If the criteria for recognition as an asset have been met, they should be capitalized and amortized to the income statement over the current and appropriate future periods; otherwise they should be charged to the income statement immediately.*

12. Issues relating to environmental costs centre on the period or periods in which costs should be recognized, and whether they should be capitalized or charged to income.

13. In some cases, an environmental cost may relate to damage that has occurred in a prior period. Examples include environmental damage to property that occurred prior to acquisition, an accident or other activities in a prior period that now require clean up, clean up of property disposed of in a prior period, and costs of disposing or treating hazardous waste created in a prior period. Accounting standards, however, generally preclude environmental costs from being treated as a prior period adjustment unless there is a change in accounting policy or unless there was a fundamental error. The examples referred to above would, therefore, generally not qualify as prior period adjustments.

14. *Environmental costs should be capitalized if they relate, directly or indirectly, to future economic benefits that will flow to the enterprise through:*

(a) increasing the capacity, or improving the safety or efficiency of other assets owned by the enterprise;

(b) reducing or preventing environmental contamination likely to occur as a result of future operations; or

(c) conserving the environment.

15. The definition of an asset indicates that where a cost incurred by an enterprise will result in future economic benefits, it would be capitalized and charged to income in the periods in which those benefits are expected to be realized. Environmental costs that comply with such a criterion would, therefore, be capitalized. Capitalization is also considered appropriate when environmental costs are incurred for safety or environmental reasons, or where they reduce or prevent potential contamination, or conserve the environment for the future. While they may not directly increase economic benefits, incurring such costs may be necessary if the enterprise is to obtain, or continue to obtain, future economic benefits from its other assets.

16. Many environmental costs do not result in a future benefit, or are not sufficiently closely related to future benefits to enable them to be capitalized. Examples would include treatment of waste products, clean up costs relating to current operating activities, clean up of damage incurred by the reporting enterprise itself in a prior period, ongoing environmental administration, and environmental audits. Fines and penalties for non-compliance with environmental regulations, and compensation to third parties for environmental damage, are regarded as environmentally related costs, and are also instances of costs incurred that do not result in future benefits. Such costs would therefore be charged to the income statement immediately.

17. *When an environmental cost that is recognized as an asset is related to another asset, it should be included as an integral part of that asset, and not recognized separately.*

18. In most instances, environmental costs that are capitalized are related to another capital asset. There is no specific or separate future benefit that results from incurring the environmental costs themselves. The future benefit of such costs lies in another productive asset that is used in the enterprise's operations. For example, the removal of asbestos from a building does not in itself result in a future economic or environmental benefit. It is the building that receives the benefit. It would therefore be inappropriate to recognize such asbestos removal as a separate asset. A piece of machinery that removes pollution from the water or atmosphere, on the other hand, could have a specific or separate future benefit and could, therefore, be recognized separately.

19. *When an environmental cost is capitalized and included as an integral part of another asset, the combined asset should be tested for impairment and, where appropriate, written down to its recoverable amount.*

20. The integration of capitalized environmental costs with the related asset could, in some instances, result in the combined asset being recorded above recoverable amount. Consequently, the combined asset should be tested for impairment. Similarly, capitalized environmental costs recognized as a separate asset should also be tested for impairment.[4/] Whilst the recognition and measurement of environmental impairment involves the same principles as other forms of impairment, the uncertainties may be greater. In particular, the "stigma" effect of environmental pollution on the value of neighbouring properties has to be considered.

F. Recognition of Environmental Liabilities

21. *An environmental liability would normally be recognized when there is an obligation on the part of the enterprise to incur an environmental cost.*

22. An obligation does not have to be legally enforceable for an environmental liability to be recognized. There may be cases where an enterprise has a constructive obligation, where there is no legal obligation or where there is an expansion on the legal obligation. For example, it may be the enterprise's established policy to clean up contamination to a higher standard than that required by law, because its business reputation would be affected if it did not live up to this commitment, or because it is the right and proper thing to do. For an environmental liability to be recognized in such situations, however, there has to be a commitment on the part of the management of an enterprise to incur the related environmental costs (for example, a board decision recorded in minutes that are publicly available, or communicated by way of a public announcement). At the same time, an enterprise should not be precluded from recognizing an environmental liability simply because its management, at a later date, is unable to meet the commitment. If this eventuality does occur, there should be disclosure of that fact in the notes to the financial statements, together with the reason why the enterprise's management is unable to meet the commitment.

[4/] Refer to the work being undertaken by the IASC on "Impairment of Assets" for further guidance on this subject.

23. In rare situations, it may not be possible to estimate, in whole or in part, the amount of an environmental liability. This does not exempt an enterprise from disclosing the fact that there is an environmental liability. In such a situation, the fact that no estimate can be made, together with the reason therefor, should be disclosed in the notes to the financial statements.

24. *When environmental damage relates to the enterprise's own property, or is caused by the enterprise's operations and activities to other property for which there is no obligation on the enterprise's part to rectify, consideration should be given to disclosing the extent of the damage in the notes to the financial statements or in a section of the report outside the financial statements themselves. When there is a reasonable possibility that such damage may have to be rectified in some future period, a contingent liability may have to be disclosed.*

25. Although there may not be an obligation at the balance sheet date for an enterprise to rectify environmental damage, the situation may change in future periods, for example because of new legislation or a decision by the enterprise to dispose of its property, in which case there will then be an obligation. In any event, owners and shareholders are entitled to know the extent to which there is environmental damage to the enterprise's own property, as well as to the property of others.

26. *Costs relating to site restoration or the closure or removal of long-lived assets which the enterprise is under an obligation to incur should be recognized as an environmental liability at the time of identifying the need to undertake the remedial action relating to such site restoration, closure or removal. In the case of long-term decommissioning costs, however, an enterprise may choose to provide for such costs over the life of the related operations.*

27. Since the obligation relating to future site restoration or closure or removal of long-lived assets arises when the related damage to the environment originally occurs, an environmental liability would be recognized at that time, and not deferred until the activity is completed or the site is closed. Because of their nature, however, an enterprise may choose to recognize decommissioning costs over the life of the related operations (see paragraph 40).

28. *Future site restoration costs, which relate to damage incurred in prior periods which were necessary to prepare an asset or activity for operation, and which are recognized as an environmental liability at the time the related damage is incurred, should be capitalized.*

29. In many situations, environmental damage has to be incurred before an enterprise can commence a particular activity and also throughout the life of that activity. For example, mining operations could not be commenced without related excavation work being undertaken. Enterprises are frequently required to undertake site restoration once the activity has been completed. Such restoration costs would be accrued when the environmental damage to which they relate is incurred (see paragraphs 26 and 27). The amount would also be capitalized and amortized to the income statement over the life of the related operations.

G. Recognition of Recoveries

30. *An expected recovery from a third party should not be netted against the environmental liability, but should be separately recorded as an asset, unless there is a legal right of set off. Where the amount is netted because there is a legal right of set off, the gross amounts of both the environmental liability and the recovery should be disclosed.*

31. In most cases, an enterprise will remain primarily liable for the whole of the environmental liability in question such that if the third party fails to pay for any reason, the entity would have to meet the full cost. If the enterprise is not responsible for the third party’s portion should it default, only the enterprise’s portion would be recorded as an environmental liability.

32. *Expected proceeds from the sale of related property and salvage proceeds should not be netted against an environmental liability.*

33. For an asset with limited life, salvage and residual values are normally taken into consideration in arriving at the amount to be amortized. It would be double counting to reduce an environmental liability by such amounts.

H. Measurement of Environmental Liabilities

34. *When there is difficulty in estimating an environmental liability, the best possible estimate should be provided. Details on how the estimate was arrived at should be disclosed in the notes to the financial statements. In those rare situations where no estimate can be provided, this fact and the reasons therefor should be disclosed in the notes to the financial statements.*

35. In some situations, an estimate of an environmental liability may be difficult to determine because of the uncertainty about a number of factors. Such factors include the extent and type of hazardous substances at a site, the range of technologies that can be used, and evolving standards as to what constitutes acceptable remediation. Even though it may not be practical to estimate the actual liability, it will often be possible to estimate a "range of loss". In such an instance, the best estimate within the range should be provided. Where it is not possible to arrive at a "best estimate", at least the minimum estimate should be recognized. It would be a rare situation when no estimate can be made. In such a case, note disclosure should be provided.

36. *For environmental liabilities that will not be settled in the near term, ISAR expresses a preference for measuring the liability at the present value of the estimated future expenditures that will be needed, based on the current cost of performing the required activities and existing legal and other requirements. Measuring the liability at the full current cost amount is also considered acceptable. For long-term decommissioning costs, providing for the anticipated future expenditures over the life of the related operations is also considered acceptable. The approach used should be disclosed. Where the provisioning approach is used, the estimated amount of the full provision needed to cover the long-term decommissioning costs should also be disclosed.*

37. A number of approaches have been proposed for measuring liabilities relating to future site restoration, or closure and removal, costs and for other situations where expenditures relating to the settlement of the liability are not expected to be incurred for a considerable period of time. They include the following:

(a) the "present value" approach;

(b) the "current cost" approach;

(c) providing for the anticipated expenditures over the life of the related operations.

Both the present value approach and the current cost approach require the determination of the estimated cost of performing the site restoration, closure or removal activities in the current period based on existing conditions and legal requirements (the current cost estimate). Under the current cost approach, this amount would be reflected as the environmental liability. Under the present value approach, however, the measurement of the environmental liability would be based on the present value of the estimated future cash outflows required to satisfy the obligations. Providing for the anticipated expenditures over the life of the related operations would be based on an estimate of the cash outflows that would eventually be required, rather than the amount that would currently be required.

38. The present value approach requires additional information about the time value of money and the factors that may affect the timing and amount of the estimated cash flows required to satisfy the obligations. Those latter items attempt to estimate the outcome of future events and, consequently, increase the level of uncertainty about that approach. As a result, some believe that the reliability of the present value approach is not sufficient to require recognition of a liability in the financial statements. They believe that the current cost approach is inherently more reliable than the present value approach because of the absence of uncertainties about future events.

39. Others believe, however, that the decision usefulness of the current cost approach decreases with increases in the length of time between the initial recognition of the liability and its eventual settlement, and that the relevance of the present value approach outweighs the perceived reliability of the current cost approach.

40. In some industries, it is acceptable practice to provide for long-term decommissioning costs over the life of the related operations, for example with respect to the decommissioning of drilling platforms or nuclear power plants. The reasons for applying this practice are often pragmatic, in that it may avoid what some see as excessive volatility in reported income and financial position brought about by changes in the estimates of such costs.

41. In measuring an environmental liability based on the present value approach, the discount rate used to measure present value would normally be a risk-free rate, such as that used for a government security that has a similar term. Advances in technologies that are expected to take place in the near term would be taken into consideration, but those of a longer-term nature would not be considered. Expected inflation that will affect the costs to be incurred would also be taken into consideration. Further, the amount of the environmental liability would be reviewed each year, and adjusted for any changes made in the assumptions used in arriving at the estimated future expenditures. Measurement of a new or additional obligation will be based on factors relevant to the period in which that obligation arises.

42. For environmental liabilities that will be settled in the near term, the current cost approach would normally be used.

I. Disclosure[5]

43. Disclosure of information relating to environmental costs and liabilities is important for the purpose of clarifying or providing further explanation of the items included in the balance sheet or the income statement. Such disclosures can be included in those financial statements, in the notes to the financial statements or, in certain cases, in a section of the report outside the financial statements themselves. In deciding on whether an item of information, or an aggregate of such items, should be disclosed, consideration should be given to whether the item is material. In determining materiality, consideration would be given not only to the significance of the amount, but also to the significance of the nature of the item.

Environmental costs

44. *The types of items that an enterprise has identified as environmental costs should be disclosed*.

45. Environmental costs arise in a number of ways. Costs incurred by an enterprise may improve the operational efficiency of the enterprise, as well as its environmental efficiency. What is included as an environmental cost will require judgement. Some enterprises may choose to include only those costs that are "wholly and exclusively" attributable to environmental measures. Others may choose to make an arbitrary allocation when a cost is only partly environmental. Disclosure of what has been included as an environmental cost should, therefore, be provided.

46. *The amount of environmental costs charged to income, distinguished between operating and non-operating costs and analysed in a manner appropriate to the nature and size of the business and/or the types of environmental issues relevant to the enterprise, and the amount of environmental costs capitalized during the period, should be disclosed in the notes to the financial statements.*

47. The types of items identified could include, but would not necessarily be restricted to: liquid effluent treatment; waste, gas and air treatment; solid waste treatment; site restoration; remediation; recycling; and analysis, control and compliance.

48. *Environmentally related costs incurred as a result of fines and penalties for non-compliance with environmental regulations and compensation to third parties as a result of loss or injury caused by past environmental pollution and damage should be separately disclosed.*

49. Fines, penalties and compensation are different from other types of environmental costs in that they provide no benefit or return to the enterprise. Separate disclosure is therefore appropriate.

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[5] ISAR acknowledges that the disclosure proposed goes beyond that advocated by standard-setting organizations. On the other hand, minimal disclosure is currently being provided by most enterprises.

50. *An environmental cost recorded as an extraordinary item should be separately disclosed.*

Environmental liabilities

51. *Environmental liabilities should be separately disclosed either in the balance sheet or in the notes to the financial statements.*

52. *The basis used to measure environmental liabilities (the present value approach, or the current cost approach) should be disclosed.*

53. *For each material class of liabilities, the following should be disclosed:*

(a) a brief description of the nature of the liabilities;

(b) a general indication of the timing and terms of their settlement.

When there is significant uncertainty over the amounts of the liabilities, or the timing of settlement, this fact should be disclosed.

54. *Any significant measurement uncertainties relating to a recognized environmental liability and the range of possible outcomes should be disclosed.*

55. Where the present value approach has been used as the basis of measurement, consideration would be given to disclosing all assumptions critical to estimating the future cash outflows and the environmental liability recognized in the financial statements, including:

(a) the current cost estimate of settling the environmental liability;

(b) the estimated long-term rate of inflation used in computing the environmental liability;

(c) the estimated future cost of settlement;

(d) the discount rate(s).

56. The disclosure called for in paragraphs 51 to 55 will assist users of the information in their assessment of the nature, timing and extent of an enterprise’s commitment of its future financial resources.

Accounting policies

57. *Any accounting policies that specifically relate to environmental liabilities and costs should be disclosed.*

General

58. *The nature of environmental liabilities and costs recognized in the financial statements should be disclosed, including,* inter alia*, a brief*

description of any environmental damage, any laws or regulations that require its remediation, and any reasonably expected changes to these laws or to existing technology that are reflected in the amount provided for.

59. *The type of environmental issues that are pertinent to an entity and its industry should be disclosed, including:*

(i) *the formal policy and programmes that have been adopted by the entity;*

(ii) *in cases where no such policy and programmes exist, this fact should be stated;*

(iii) *the improvements in key areas that have been made since the introduction of the policy, or over the past five years, whichever is shorter;*

(iv) *the extent to which environmental protection measures have been undertaken owing to government legislation, and the extent to which government requirements (for example, a timetable for the reduction of emissions) have been achieved;*

(v) *any material proceedings under environmental laws.*[6/]

60. It would be desirable to disclose any government incentives, such as grants and tax concessions, provided with respect to environmental protection measures.

61. The disclosure advocated in paragraphs 58 to 60 could be provided either in the notes to the financial statements or in a separate section outside the financial statements. It enables users of the information to assess an enterprise's current and future prospects regarding the impact of environmental performance on the financial position of the enterprise.

[6/] This is taken from ISAR's *Conclusions on Accounting and Reporting by Transnational Corporations* (United Nations publication, Sales No.E.94.II.A., New York), paragraph 209.

Chapter II

CHAIRPERSON'S SUMMARY OF THE EXPERTS' DISCUSSIONS

1. The fifteenth session of ISAR focused on one main topic - environmental accounting and financial reporting at the corporate level (under agenda item 3).

A. Environmental accounting and financial reporting at the corporate level

2. After a brief introduction by the secretariat, the representative of the **Canadian Institute of Chartered Accountants (CICA)** introduced item 3(a) “Examination of national standards and regulations for environmental financial accounting”. He provided evidence of the perceived need for guidance in this area:

- Users of financial reports need information on the enterprise's environmental performance with its consequences for the financial health of the enterprise; this information is currently absent from financial reports;

- Financial statements were designed to report on financial performance, and additional guidance is needed if environmental performance is to be reported;

- Interpretation of existing international and national standards in environmental accounting and financial reporting at the corporate level is needed to prevent fundamental differences in amounts being measured and disclosed; furthermore, companies are devising their own solutions.

3. Some of the problem areas discussed by the experts included the definition of “environmental costs”; when to capitalize environmental costs; what constitutes an “obligation” in the environmental context; when to recognize an environmental liability; measurement of an environmental liability; and treatment of recoveries, all of which were contained in the original version of Chapter I of “Environmental financial accounting and reporting at the corporate level (TD/B/COM.2/ISAR/2).

4. In the discussions, it was suggested that the title of Chapter I be changed. The Group unanimously agreed that the present title, "Interim statement of best practice guidance for environmental financial accounting and reporting", was inappropriate, especially the use of the word “interim”. Also, various delegates recommended avoiding the term “best practice”, because practice in this area was still evolving and it would be premature to refer to “best practice”. The terms “position paper” and “guidelines” were suggested as alternatives since ISAR was not a standard-setting body.

5. A number of experts made the point that reliable and transparent environmental disclosure was needed by a wide audience of users such as Governments, investors, creditors, consumers and environmentalists. Similarly,

the document should apply to a larger group of preparers of financial statements, including banks and government enterprises. Environmental issues were increasingly relevant to public enterprises, not just the private sector, although it was originally developed in that context. Experts stressed the importance of the document as "value added" to developing countries and economies in transition, as well as to developed countries. UNCTAD/ISAR should therefore synthesize and publish the document for a wide circulation.

6. It was suggested that the document could also give guidance concerning accounting for environmental benefits as opposed to just costs and liabilities. It was pointed out that benefits were even harder to measure and this would have to be the subject of subsequent work; furthermore, not everything could easily fit into the conventional accounting framework.

7. The first technical point addressed by the Group was the definition of environmental costs, which were all the internal costs resulting from steps taken to manage the environmental impacts of an enterprise's activity.[1/] A number of examples of environmental costs were given, including disposal and avoidance of waste, preserving or improving air quality, and cleaning up oil spills. Not included were fines and penalties, but these should be disclosed separately. Normally, environmental costs should be charged to income in the period in which they were identified, unless the criteria for recognition as an asset had been met, in which case they should be capitalized. Experts discussed the fact that what was included as an environment cost would require judgement. Some enterprises might choose to include only those costs that were wholly attributable to environmental measures. Others might choose to make an arbitrary allocation when a cost was only partly environmental. Therefore, disclosure of what had been included as an environmental cost was essential.

8. There was considerable debate on the description of and distinctions between various types of obligations. There was a clear understanding of a legal obligation, but in the opinion of many speakers it was necessary to go beyond them, particularly if one considered substance over form. The debate focused on the terms "constructive obligations" and "equitable obligations”, whether they were distinct or overlapped. Constructive obligations arose out of a business-type obligation or a business policy. Some experts felt that equitable obligations could be omitted because they were difficult to determine and could constitute a subset of constructive obligations based on ethical or moral considerations. However, other experts insisted that not all equitable obligations were constructive. An example was given of TNCs which often accounted for and reported on their environmental liabilities arising from legal obligations in developed countries but were silent on such liabilities arising in developing countries where there was no legislation. In the view of some experts the term “equitable obligation” would close a loophole in that most companies now reported liabilities only when they had “no discretion” **not** to report them. The concept of obligations needed to be expanded beyond legal obligations, which were too narrow, particularly when viewed in an environmental context. It was pointed out that the current conceptual accounting frameworks mentioned equitable obligations. The Group agreed that the term “equitable obligation” should remain in the document as a footnote to the term “constructive obligation”.

[1/] For the full definition see the *Position Paper.*

9. Views differed about which method should be used to recognize environmental liabilities relating to future site restorations, or closure and removal, decommissioning costs and other situations where expenditures were not expected to be incurred for a considerable period of time. The discussion centred on whether full provision should be made immediately for the entire future cost or whether it should be built up gradually over the life of the operation. It was agreed that only in the case of long-term decommissioning costs could an enterprise choose to provide for such costs over the life of the related operations. The Group also agreed that when environmental damage related to the enterprise's own property for which there was no obligation to clean up, consideration should be given to disclosing this fact. The rationale was that this information was needed by the shareholders, especially when they were different from management.

10. In concluding its discussion of item 3(a) the Group agreed to entitle the document "Position paper: Accounting and financial reporting for environmental costs and liabilities", and endorsed its contents for consideration by Governments, organizations and other interested parties. It was felt that this title better reflected the contents of the document.

B. Linkage between environmental performance and financial performance

11. The Group then turned its attention to item 3(b), which concerned the linkage between environmental performance and financial performance. The representative of the **Association of Chartered Certified Accountants (ACCA)**, resource person, presented Chapter II of document TD/B/COM.2/ISAR/2, which went beyond the traditional financial statements and identified key environmental performance indicators currently in use by leading-edge enterprises to measure and communicate environmental performance. He highlighted the apparent conflict between society's need to reduce the environmental impacts of enterprises and the ability of statutory or non-statutory mechanisms to make transparent the financial/economic consequences for the enterprise and its stakeholders of being a good environmental neighbour. As of late 1997 there had been no international consensus on how corporate environmental activity and impact should be reported.

12. Financial performance indicators were precisely calculated on the basis of national accounting standards. Therefore, when financial analysts calculated these ratios for various enterprises they had reliable measures comparing performance. This was not the case with regard to environmental performance.

13. The survey of environmental reports, contained in document UNCTAD/ITE/EDS/Misc.9, revealed that there was no consensus on the use of standardized environmental performance indicators. Each company within an industry reported its performance using different environmental indicators, not necessarily using the same indicators from year to year. As a result, it was more difficult to compare the environmental performance of different companies, and to determine whether the company was improving over time, and the effect on financial performance as seen in terms of eco-efficient indicators. Eco-efficient indicators relate the change in environmental impacts to the change in financial results (i.e. sales, value added). The speaker explained that there was an increased level of business risk flowing from increasing levels of environmental legislation and growing public interest in corporate compliance.

He indicated that pressure for improved reporting of environmental performance was coming from Governments, regulators, investors, customers, bankers, insurers and environmental lobby groups. There was a need to communicate environmental performance in a standardized and coherent way if it was to be useful to a potential user in understanding how corporate environmental strategy and performance impact on financial performance and shareholder value.

14. The representative of **Ellipson**, resource person, informed the Group that environmental variables such as environmental performance indicators (EPIs) had an economic value; users wanted to see them in the annual report, and therefore they had to be harmonized. They also had to be aggregated on the same basis as the financial data if they were to be combined with financial data when producing eco-efficient indicators. Some of these indicators, if appropriately constructed, could be part of the audited statements. The banking community was pressing for better EPIs because its concerns focused not only on asset quality but also on the quality of management, and for this it wanted reliable core indicators to be developed.

15. There was broad acceptance by the experts of the work undertaken so far. It was suggested that, in order to give users the full value and reflect the full richness of the inputs and discussion that had gone into document TD/B/COM.2/ISAR/2, it be published and distributed together with the background papers. Experts further suggested that these papers be translated into as many languages as possible, published and disseminated as widely as possible, including through regional workshops. The material would have to be adapted to produce the necessary training materials for the workshops. A number of experts expressed interest in holding the workshops in their countries.

16. A number of experts referred to complementary work being carried out by a number of international bodies such as IASC, IFAC and ISO. It was agreed that these bodies should be brought into the research process and that ongoing collaboration should be established with them.

C. Agenda item 4 - Other business

17. The representative of the **International Accounting Standards Committee** (IASC) updated the Group on IASC’s work. Since the fourteenth session, it had approved seven standards:

- IAS 12, Income Taxes
- IAS 33, Earnings Per Share
- IAS 1, Presentation of Financial Statements
- IAS 14, Segment Reporting
- IAS 17, Leases
- IAS 19, Employee Benefits
- IAS 34, Interim Financial Reporting

18. It had also issued exposure drafts for impairment of assets (E55), discontinuing operations (E58), provisions, contingent liabilities and contingent assets (E59), and intangible assets (E60). Discussion papers on interim reporting and financial instruments had been published. Three final interpretations on IAS 2, 23 and 28 had been issued and 11 draft interpretations were under way. Other work in progress included work on performance reporting, insurance, after the balance sheet date events and investment properties. IAS 30 on financial institutions would need to be brought into line with the accounting requirements for financial instruments. The speaker asked the Group to express a preference regarding what projects outside the current one on agriculture could address the specific needs of developing countries. Problems arising from the process of privatization might be relevant to developing countries as well as to developed countries and economies in transition.

19. The representative of the **International Federation of Accountants** (IFAC) noted that during his address to the World Congress of Accountants, Mr. James Wolfensohn, the President of the World Bank, had challenged IFAC to respond to the need to strengthen the profession in developing countries and to fight corruption. Regarding the former, a meeting had already been held by IFAC on 20-21 January 1998 in Washington D.C. with participants from the World Bank, the IMF, regional development banks, UNDP, UNCTAD and OECD. The President of IFAC had stressed the need to harness the resources and contacts of the development agencies to the knowledge, expertise and contacts of the profession. The IFAC Council had established an Anti-Corruption Task Force to give guidance to IFAC’s member bodies as to how accountants should handle instances of corruption of which they became aware. Following the General Agreement on Trade in Services (GATS), the World Trade Organization had established a Working Party on Professional Services (WPPS), which had endorsed the use of international accounting and auditing standards and drawn up a voluntary guideline for mutual recognition agreements. IFAC was working actively to ensure that the members of the WPPS had an understanding of the organization of the profession as well as of IFAC’s position regarding measures which could be taken to reduce barriers to trade in accountancy services. Lastly, IFAC was still waiting for the International Organization of Securities Commissions (IOSCO) to endorse the international standards on auditing (ISAs) prepared by IFAC.

20. The representative of the **Arab Society of Certified Accountants** (ASCA) endorsed UNCTAD's project for developing a global accounting curriculum. He noted that Sir Leon Brittan had said that

> “a multilateral approach may appear to be the tortoise of trade liberalization; it is slow and steady, but it will often win the race. It would be misguided, and spell the doom of the WTO, if governments around the world were to forgo multilateral commitments on the grounds that something better would turn up bilaterally. Most of the time, nothing better turns up, and without multilateral rules to lock in today’s liberalization, tomorrow's economic difficulties can turn the clock back to a protectionist past.”

21. He referred to the work of the Association of Chartered Certified Accountants (ACCA) and indicated that ACCA’s widely accepted programme demonstrated that a global curriculum was feasible. He pointed out that there was still resistance to the possible direction that the WTO might take with regard to the liberalization of the profession. He also stated that while

efforts were under way to standardize how the profession’s services were provided, there was also a need to standardize how the service-providers obtained their qualifications. International organizations had often asked developing countries how their accounting needs could be met, and those countries had replied in a number of forums that they needed a benchmark global qualification if they were to compete under the new rules being developed by the WTO.

22. The representative of the **Accounting and Auditing Organization for Islamic Financial Institutions** (AAOIFI) described the various challenges facing Islamic financial institutions in terms of the need develop standards that addressed their unique operating and reporting requirements under the Sharia laws. He pointed out that AAOIFI had been working on standardizing accounting and auditing practices among the Islamic countries and that its pronouncements were available to all those interested.

23. The representative of the **European Commission DG XV,** explained that the European Commission had proposed that European global players prepare their consolidated financial statements on the basis of international accounting standards (IASs) since there was no major conflict between IASs and the Accounting Directives. The European Commission now actively participated in the work of IASC and coordinated with member States the response to its exposure drafts. Existing EU legislation would need to be amended at regular intervals so as to avoid conflicts between IASs and the Accounting Directives. Although a number of Accounting Directives imposed the statutory audit of financial statements and although the 8th Directive (10 April 1984) had harmonized the minimum qualifications for auditors, Community legislation at present did not specifically deal with auditing matters. A conference and a Green Paper on the role, position and liability of the statutory auditor had highlighted the absence of a common framework for European auditing and demonstrated the need for Community action. In January 1998 the European Parliament had adopted a resolution supporting the Commission’s Green Paper. In March 1998 the Commission would publish a Communication on the actions to be taken in the auditing field. Substantial work had been done to prepare and to facilitate the transition to the European single currency (euro). The European Commission had published a booklet in which the accounting implications of the euro were analysed.

24. The representative of the **Association of Chartered Certified Accountants** (ACCA) updated the Group on recent activities in ACCA. It currently had 60,000 members, about 40 per cent of whom were based outside the United Kingdom. It also had some 130,000 students studying for its qualification, 62 per cent of whom were outside the United Kingdom. ACCA’s syllabus consisted of 14 papers and examinations. Also, members needed three years’ relevant practical experience under an appropriate supervisor. He indicated that with the growing importance of IASs, ACCA was making adjustments in its educational programmes and was the first professional body to announce that it would provide a stream of examination papers based on IASs and ISAs. ACCA had been closely involved in the work of ISAR and participated in the consultative meetings on the global curriculum for fully qualified accountants. Much of ACCA’s syllabus had been used to prepare the benchmark curriculum. Furthermore, ACCA had worked with ISAR on environmental accounting and looked forward to cooperating further with ISAR since the two bodies had common perspectives.

25. The representative of the **Working Party on Professional Services (WPPS), World Trade Organization**, reviewed WPPS activities. He stated that the Singapore

Ministerial Declaration had encouraged the successful completion of international standards by IFAC, IASC and IOSCO. He said that the WPPS had produced voluntary guidelines for mutual recognition agreements for professional qualifications. Currently, it was working on what were expected to be mandatory "disciplines" or rules for the further reduction of barriers to trade in accountancy services covering licensing requirements and procedures, qualification requirements and procedures, and technical standards.

26. The representative of the **International Valuation Standards Committee** (IVSC) presented the activities of the International Valuation Standards Committee, which were important since the property component of foreign direct investment ranged from 5 to 20 per cent. Property was a significant element of global business. It was often used as collateral in bank lending, and the volatility of property values in recent years had contributed to the economic turbulence in stock markets from time to time. What investors, regulators and users of valuations required was consistency, clarity, reliability and transparency in valuation reporting worldwide. The IVSC's main objective was to formulate and publish valuation standards for use in financial statements and to encourage the harmonization of national standards. The speaker made particular reference to IAS 16 on Valuation of Property, and stated that IVSC complied with it. IAS 16 stipulated the benchmark practice of historic cost for property assets but allowed an alternative treatment - the revaluation of property assets. Another treatment - fair value - was currently under discussion.

27. The representative of the **European Federation of Accountants** (FEE), President of the Environmental Accounting Task Force, updated the Group on the FEE's current activities. He stressed that accounting firms, and not governments, should take the lead in coming up with standards addressing environmental accounting.

28. The representative of the **United Nations Development Programme** (UNDP) described efforts in the UNDP to establish an international organization of national government financial executives in order to improve the quality of government accounting by improving and implementing accounting standards for the public sector.

29. The **Chairperson** informed the Group of the recent progress made by UNCTAD in developing a global curriculum, which had been mentioned earlier by the representative of ASCA. In the absence of the regular session of ISAR in 1997, a series of expert consultations had been held to advance the work on the global qualification. These had been chaired by the representative of ASCA and the present Chairperson. The experts at the consultations discussed the various components of a global qualification, including a model curriculum, the examination process, experience requirements, an accreditation system for national qualifications and licensing requirements. The Chairperson noted that the International Forum of Actuaries Associations had started a similar exercise to produce minimum global guidelines for the education of actuaries. The Forum felt it was necessary to protect their professional titles and the public. They had prepared a core syllabus for actuarial training worldwide and were organizing seminars for the implementation of the core syllabus. The experts at the consultations had summarized and compared various national curricula using the revised IFAC guidelines (IGE No. 9) and IFAC's "Core of Knowledge of the Professional Accountant" as a benchmark. From this comparison a draft model

curriculum had been prepared. The experts at the present session were urged to study this draft and to send comments to the secretariat within two months.

30. A resource person, from the **Department of Accounting, University of Geneva**, presented various ideas on possible collaborative research to address the accounting needs of small and medium-size enterprises worldwide. The Group had noted at its fourteenth session that international accounting standards might not be appropriate for SMEs. Uniformity of accounting was not necessarily a desirable aim since different business entities had different reporting needs and different capabilities, and therefore uniform reporting imposed unnecessary costs and inefficiencies. The principal types of actors in developing countries included parastatals, subsidiaries of TNCs, incorporated SMEs, unincorporated small businesses and unincorporated agricultural businesses. IASs might be appropriate for parastatals and TNCs but not necessarily for the others. New research on this issue could include identifying the relative importance of different economic actors in different countries, summarizing the current accounting rules in those countries, conducting interviews with sample participants, and analysing results and drawing conclusions on the accounting needs of SMEs, the appropriateness of IASs and rules useful for SMEs. He invited interested members of the Group to participate in the research.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

1. The fifteenth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) was opened by Mr. Herbert Biener (Germany), Chairperson of the Group at its fourteenth session.

B. Election of officers

(Agenda item 1)

2. At its 1st meeting, on 11 February 1998, the Group elected the following officers:

Chairperson:	Mr. Nelson Carvalho (Brazil)
Vice-Chairman-cum-Rapporteur:	Mr. Alfred Stettler (Switzerland)

C. Adoption of the agenda and organization of work

(Agenda item 2)

3. At its 1st meeting, on 11 February 1998, the Group adopted its provisional agenda (TD/B/COM.2/ISAR/1), as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Environmental accounting:
   (a) Examination of national standards and regulations for environmental financial accounting
   (b) Identification of key environmental performance indicators and their relation to financial performance
4. Other business
5. Provisional agenda for the sixteenth session of the Working Group
6. Adoption of the report of the Working Group on its fifteenth session

D. Provisional agenda for the sixteenth session

(Agenda item 5)

4. The Group considered two choices for the main agenda item for its sixteenth session: the global qualification and accounting for SMEs. It considered that work was well advanced on the global qualification, whereas work on accounting for SMEs had yet to begin. A number of experts stressed the need to bring mature work to the next session so that it could arrive at conclusions. The importance of both topics was acknowledged by a number of experts, but some thought that the global qualification was more urgent, given the progress in the World Trade Organization. A global curriculum could serve as a benchmark which would cut the time and cost of negotiating mutual recognition agreements. Therefore, UNCTAD should continue its work on the development of a global curriculum in cooperation with other relevant bodies such as IFAC, ASCA and ACCA, as well as on other requirements for fully qualified accountants. UNCTAD should report back its results to the sixteenth session. Regarding accounting for SMEs, UNCTAD should begin work on this topic and report orally at the sixteenth session and in full at the seventeenth session. The Group adopted its provisional agenda, with the main item being “Development of a global accounting curriculum and other qualification requirements” (for the provisional agenda see annex III).

E. Adoption of the report

(Agenda item 6)

5. At its closing plenary meeting, on 13 February 1998, the Group adopted its recommendations for governments, the international community and UNCTAD. Included in those recommendations was its position paper "Accounting and financial reporting for environmental costs and liabilities", which was put forward for consideration by governments, enterprises and other interested parties in order to contribute to both the quality of environmental accounting and reporting and its harmonization. The Vice Chairperson-cum-Rapporteur was authorized to prepare the final report, under the authority of the Chairperson, to include the recommendations, the annexed position paper and the Chairperson’s summary of the experts’ discussions.

Annex I

SUMMARY OF INTRODUCTORY STATEMENTS

1. The outgoing **Chairperson of the Intergovernmental Working Group at its fourteenth session** commented on the large number of experts, professional associations and international organizations in attendance and expressed the hope that the older members of the Group would make a special effort to integrate the new members. He stressed the fact that ISAR was very much a "working group" and urged the experts to contribute their time and expertise to the various activities. He then gave a brief report on his activities as Chairperson, including his presentation to the Commission on Investment, Technology and Related Financial Issues. He summarized the results of the consultations of the Trade and Development Board with regard to clarifying the status of the Group, and he stated that he had received a legal opinion from the Office of Legal Affairs at United Nations Headquarters, which he would convey to the new Chairperson.

2. The **Chairperson of the Intergovernmental Working Group at its fifteenth session** thanked his predecessor for his excellent work. He noted that accounting issues usually provoked no particular excitement among policy makers. However, from time to time issues such as environmental accounting, liabilities of accountants and auditors, and transfer pricing, attracted multidisciplinary audiences because they embraced the realm of corporate governance. There had to be a stronger link between ISAR and the Commission on Investment, Technology and Related Financial Issues since ISAR's work could facilitate both trade and investment.

3. The **Secretary-General of UNCTAD** offered his reflections on the Asian crisis, which according to many experts was essentially a banking crisis, at least in some aspects, which started with an ill-performing banking system, was compounded by excessive overseas borrowing, an unsustainable property and equity boom, and ended with a massive short-term outflow, a free fall in the currency and general loss of confidence. He said that the worst might have been avoided, or at least contained, if there had been some early warning signals. He recalled that, at its Banking Forum in 1996, ISAR had conveyed the following message to policy makers, which was now being echoed by a number of financial experts after the crisis had broken out:

> "Accounting roles drive disclosure and better disclosure stimulates better management and provides more adequate information to deal with risks. The use of international standards can contribute to financial stability and a sound banking sector."

4. Turning to the main topic on the agenda, the Secretary-General stressed the importance of ISAR's work on environmental financial accounting and reporting at the corporate level. He expressed the hope that the Group would capture the attention of policy makers before another crisis erupted, this time because of lack of disclosure of environmental risks. He thought that the topic was timely and was needed because the users of financial statements, particularly the banking community, wanted to know how companies were managing environmental risks, the extent of their exposure and how this was reflected in their financial statements.

Annex II

PROVISIONAL AGENDA FOR THE SIXTEENTH SESSION

1. Election of officers
2. Adoption of the agenda and organization of work
3. Development of a global accounting curriculum and other qualification requirements
4. Other business
5. Provisional agenda for the next session
6. Adoption of the report

Annex III

ATTENDANCE */

1. The following States members of UNCTAD were represented at the session:

Andorra
Argentina
Austria
Azerbaijan
Bangladesh
Bolivia
Brazil
Canada
China
Costa Rica
Cuba
Cyprus
Czech Republic
Democratic Republic of the Congo
Ecuador
France
Gambia
Germany
Hungary
India
Indonesia
Iraq
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Kyrgyzstan
Lebanon
Luxembourg
Madagascar
Mauritius
Mexico
Morocco
Namibia
Netherlands
Pakistan
Paraguay
Peru
Philippines
Poland
Portugal
Romania
Russian Federation
Rwanda
South Africa
Spain
Sri Lanka
Sudan
Switzerland
Thailand
Tunisia
Turkey
Ukraine
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Yemen
Zambia

2. The United Nations Environment Programme and the United Nations Development Programme were represented at the session.

*/ For the list of participants, see TD/B/COM.2/ISAR/INF.1.

3. The following specialized agencies and related organization were represented at the session:

World Bank
International Monetary Fund
United Nations Industrial Development Organization

The World Trade Organization was also represented at the session.

4. The following intergovernmental organizations were represented at the session:

European Community
Organization of African Unity

5. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions
World Savings Bank Institute

6. The following organizations, specially invited by the secretariat, attended the session:

Accounting and Auditing Organization for Islamic Financial Institutions
Arab Society of Certified Accountants
Association of Chartered Certified Accountants
Canadian Institute of Chartered Accountants
Certified General Accountants Canada
Federation of European Accountants
International Accounting Standards Committee
International Federation of Accountants
International Federation of French-Speaking Accountants
International Valuation Standards Committee
