

**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Geneva**

GUIDANCE MANUAL

ACCOUNTING AND FINANCIAL REPORTING FOR ENVIRONMENTAL COSTS AND LIABILITIES

BACKGROUND MATERIAL AND APPENDICES



**UNITED NATIONS
Geneva, 2002**

BACKGROUND MATERIAL

The objective of this section is to provide participants in the workshops with background material that will assist in putting the training manual in context with other initiatives.

Contents of the Resources Section:

(Please note: the UNCTAD position paper 'Accounting and financial reporting for environmental costs and liabilities' (adopted February 1998) is available separately).

In addition to provide assistance for those businesses that are getting started in Environmental Accounting and Reporting.

Glossary of Terms	A list of the terms used in the training manual as well as common acronyms likely to be encountered.
Publications	Useful publications available to explore the three key themes in greater depth, if appropriate.
Web Site Addresses	Catalogued by country and correct as at September 1998. A number of links and addresses do change and whilst every effort has been made to ensure their accuracy no warranty is held out that the addresses quoted are still current.
Review Group List	The peer group review is an important aspect of the production of the manual. The group has been selected on the basis of their geographical and business mix as well as their knowledge and understanding of the subject.
Details of the Trainers	Short biographies of the trainers responsible for the delivery of the initial workshops.

APPENDIX 1:

GLOSSARY OF TERMS

Term	Definition
AA 1000	AccountAbility 1000 – a process standard for social accounting, auditing and reporting issued in 1999 by the UK-based Institute of Social and Ethical AccountAbility (ISEA).
ACBE	The UK Government’s Advisory Committee on Business and the Environment.
ACCA	The Association of Chartered Certified Accountants
Benchmarking	Comparison process of indicators with determined reference or target values (usually within a sector) conducted within or across companies as a tool for deriving improvement measures and goals.
BiE	Business in the Environment (UK NGO)
CERES	Coalition for Environmentally Responsible Economies (US NGO) Founder member of the Global Reporting Initiative – see below.
CICA	Canadian Institute of Chartered Accountants
Company comparison	A company comparison compares the indicators of a company, a process or an individual department with those of other companies processes or departments.
EAAF	European Accounting Advisory Forum
EFFAS	European Federation of Financial Analysts’ Societies
EMAS Regulation	Regulation allowing voluntary participation by industrial companies within the European Union in an Eco-Management and Audit Scheme. After a successful external evaluation the company receives an official statement of participation.
Environment	Broadly, the conditions and systems that support life on earth including water, air and earth and flora and fauna.
Environmental audit	An investigation of processes and procedures of a company or site with respect to its compliance with applicable laws and regulations and impacts on environmental conditions.
Environmental due diligence (appraisal)	The collection and assessment of data relative to environmental conditions or impacts prior to a transaction, to identify and quantify environment related financial, legal and reputational risks.
Environmental impact assessment	An assessment of the resultant impacts on the natural or human environment of a

	proposed project or development usually performed by an environmental consultant.
Environmental management system	The combination of arrangements for assessing, monitoring and recording a company's environmental impact.
Environmental reporting (1)	A business's periodic compilation and publication of voluntary environmental reports or environmental statements
Environmental reporting (2)	'The provision of information about the environmental impact and operational performance of an entity that is useful to relevant stakeholders in assessing their relationship with the reporting entity'. (FEE environmental working party)
Environmental statement	An 'environmental statement' is part of the EMAS Regulation and must be prepared by sites after the first environmental review as well as after each subsequent audit. It serves the purpose of informing the public on the business's activities and the environmental impacts involved.
EPA	The US Environmental Protection Agency
EPI	Environmental Performance Indicator
FASB	Financial Accounting Standards Board
FEE	The European Federation of Accountants (environment working party)
GAAP	Generally Accepted Accounting Principles
GRI	Global Reporting Initiative
HSE	Health Safety and the Environment.
IASC	International Accounting Standards Committee.
ICAEW	Institute of Chartered Accountants in England and Wales
ISAR	(United Nations Intergovernmental Working Group of Experts on) International Standards of Accounting and Reporting.
ISO 14001	International specification and guideline for using environmental management systems (since 1996). Based on ISO 14001, any type of organisation can have their environmental management system certified.
ISO 14031	Internationally applicable guideline (developed within the broader ISO 14000 framework) for environmental performance evaluation using environmental performance indicators. The standard is of informative character and cannot be used as a basis for certification.
Natural resources	The aspects of nature that have value either left in situ or exploited. Traditionally, the

	actual and potential forms of wealth supplied by nature such as coal, oil, water power, arable land, timber or fishing stock etc.
SA 8000	Social AccountAbility 8000 – an accreditation / certification standard developed by the US-based Council on Economic Priorities (CEP).
Sustainable development	The concept of meeting the needs of the present generation while not compromising the ability of future generations to meet their own needs. Achievement of sustainable development includes consideration of environmental, social and ethical issues.
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
WBCSD	World Business Council for Sustainable Development

APPENDIX 2:

PUBLICATIONS

General

BiE (Business in the Environment) and Extel Financial, 1994. *City Analysts and the Environment: a survey of environmental attitudes in the City of London.*

BiE and AEA Technology, 1996. *The Index of Corporate Environmental Engagement: a survey of the FTSE 100 companies.*

Bonifant, Benjamin C., Mathew B. Arnold, and Long, Frederick. J., 1995. 'Gaining Competitive Advantage Through Environmental Investments', *Business Horizons*, July/August, pp.37-47.

Eyring, G., 1992. *Green Products by Design: Choice for a Cleaner Environment*, Office of Technology Assessment, Washington D.C.

Fiksel, Joseph, 1993/1994. 'Quality Metrics in Design for Environment', *Total Quality Environmental Management*, Winter, pp.181-192.

Lifset, Reid J., 1993. 'Take It Back: Extended Producer Responsibility as a Form of Incentive-Based Environmental Policy', *Journal of Resource Management and Technology*, 21, 4, pp.163-173.

Schoemaker, Paul J. and Schoemaker, Joyce A., 1995. *Estimating Environmental Liability: Quantifying the Unknown.*

SETAC Foundation for Environmental Education, 1991. *SETAC Product LCA Advisory Group Mission Statement*, Pensacola, FL

Environmental Accounting

Background Document:

ISAR, 1998 *Accounting and Reporting for Environmental Liabilities and Costs within the Existing Financial Reporting Framework*. Prepared by David Moore, CICA. Published UNCTAD: Geneva.

Further reading:

ACCA/UNEP, 2002 *Accounting: industry as a partner for sustainable development*. World Summit on Sustainable Development Report. UNEP.

BT (British Telecommunications). 1996. *Environmental Accounting in Industry: a practical review.*

Chadick, B., Rouse, R.W. and Surma, J., 1993. 'Perspective on Environmental Accounting', *The CPA Journal*, January, 1824.

EPA (Environmental Protection Agency - USA), 1995. *An Introduction to Environmental Accounting as a Business Tool: key concepts and terms* (also ACCA, 1996 reprint)

- EPA, 1996. *Full Cost Accounting for Decision making at Ontario Hydro*, EPA Environmental Accounting Case Study.
- European Commission, 2001 *Recommendation on the recognition, measurement and disclosure of environmental issues in the annual accounts*. EC. (2001/453/EC)
- Gray, R., Bebbington, J. and Walters, W., 1993. *Accounting for the Environment*, Paul Chapman Publishing, London.
- Gray, R., and J. Bebbington, 2001 *Accounting for the Environment* (2nd edition). Sage, London.
- Gray, R. and D. Collison 2001 *The Professional Accounting Bodies and the Provision of Education and Training in relation to Environmental Issues*. ICAS, Scotland.
- IFAC 2001 *Exposure draft 21 Provisions, Contingent Liabilities and Contingent Assets*. IFAC Public Sector Committee.
- Munter, P., Sacasa, R. and Garcia, E., 1996. 'Accounting and Disclosure of Environmental Contingencies', *The CPA Journal*, January, 36,36, pp.50–52.
- Senghe, S.V. 1993., 'Accounting for the Environment: An Analysis of Issues', *The Ohio CPA Journal*, February, pp.33-41.
- Siegel, A., 1992. *Environmental Costs: Accounting and Disclosure*. Price Waterhouse.
- UN Division on Sustainable Development. 2001 *Improving Government's Role in Promoting Environmental Management Accounting*. Environmental Management Workbook 1-3. UNDSO.

Environmental Reporting

Background document:

UNCTAD,1998 *Integrating Environmental and Financial Performance in External Corporate Reporting*. Prepared by Roger Adams, ACCA. UNCTAD: Geneva.

Further reading:

ACBE (UK Government's Advisory Committee on Business and the Environment), 1997. *Environmental Reporting: An Approach to Good Practice*.

ACCA (Association of Chartered Certified Accountants)

- (1) ACCA, 2000. *ACCA UK ERA 1999 Report of the Judges*, ACCA, London.
- (2) Bebbington, J. and Thomson, I., 1996. *Business conceptions of sustainability and the implications for accountancy*, ACCA Research Report 48, CAET, London.
- (3) Beattie, V. and Jones, M., 1992. *The Communication of Information Using Graphs in Corporate Annual Reports*, ACCA Research Report 31, CAET, London.

Canadian Institute of Chartered Accountants. *Reporting on Environmental Performance*.

Company Reporting Ltd., 1992. *Company Reporting Frontiers: non-financial performance and revenue investment measures in company annual reports*.

Company Reporting Ltd., 1996. *Corporate Environmental Reporting in the UK*.

Ditz, J.D., and Ranganathan, J., 1997. *Measuring Up: Towards a Common Framework for Tracking Corporate Environmental Performance*, World Resources Institute.

ECAFF (EC Accounting Advisory Forum), 1994. 'Environmental Issues in Financial Reporting', DG XV. 6004/94.

FEE (European Federation of Accountants)

(1) FEE 2000 *Providing Assurance on Environmental Reports*. Responses to earlier discussion paper. October.

(2) FEE 2000 *Towards a generally accepted framework for environmental reporting*. July.

ICI Plc., 1997. *Environmental Burden: the ICI approach*, ICI..130

INEM (International Network for Environmental Management), 1996. *Case Studies in Environmental Management*, Germany.

IRRC (Investor Responsibility Research Center)

(1) IRRC, 1996. *Environmental Reporting and Third Party Statements*, IRRC.

(2) IRRC, 1996. *Corporate Environmental Profiles Directory*, Executive Summary, IRRC.

(3) Cohen, M.A., Fenn, S.A. and Naimon, J.S., 1996. *Environmental and Financial Performance: Are They Related?*, IRRC.

ISO (International Standards Organisation), 1997. *Environmental Management – Environmental Performance Evaluation-Guideline ISO/WD 14031.5*, working draft, forthcoming.

James, P. and Bennett, M., *Environment-related performance measurement in business: from emissions to profit and sustainability?*, Ashridge Management Centre, AMRG 946.

James, P. and Bennett, M., 1998. *The Green Bottom Line*, Greenleaf Publishing.

Johnson, L.Todd., 1993. 'Research on Environmental Reporting', *Accounting Horizons*, September, pp.118-123.

KPMG Bohlins, 1997. *International Survey of Environmental Reporting*, KPMG Bohlins.

KPMG, 1999. *International Survey of Environmental Reporting*, KPMG. (Further information on the *KPMG International Survey of Environmental Reporting 1999* can be obtained from KPMG Environmental Consulting, PO Box 155, 3454 ZK De Meem, The Netherlands. Tel: +31 30 658 1801 Fax: +31 30 658 1800 E-mail: environment@kpmg.nl or internet <http://www.kpmg.com>)

NPI (National Provident Institution), 1996. *Global Care Best in Class*, May 1996, unpublished.

Swiss Bankers Association, 1997. *Draft discussion paper regarding the voluntary disclosure of environmental information.*

100 Group of Finance Directors, 1992. *Statement of Good Practice: Environmental Reporting in Annual Reports*, Hundred Group, London.

Environmental Performance Indicators

Background document:

Sturm, A. Mueller, K., and S. Upasena 2002 *Eco-efficiency Indicators: Conceptual Framework and Guidelines – A Manual for Preparers and Users*. UNCTAD, Geneva.

Further reading:

James, P. and Bennett, M., 1998. *Environmental performance indicators*, ACCA Research Report, forthcoming.

Ditz, D., Ranganathan, J. and Banks, R.D., 1995. *Green Ledgers*, World Resources Institute.

EFFAS (European Federation of Financial Analysts' Societies), 1996. *Eco-Efficiency and financial analysis: the financial analyst's views*, EFFAS.

Sturm, A. Mueller, K., and S. Upasena 2002 *Eco-efficiency Indicators: Conceptual Framework and Guidelines – A Manual for Preparers and Users*. UNCTAD, Geneva.

Swiss Info Center, 1994. *Focus on Nestle: an economic, environmental and social analysis*.

Thomas C., Tennant, T., and J. Rolls 2000 *The GHG Indicator: UNEP Guidelines for Calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organisations*. UNEP, Geneva

Toms, J.S., 1996. *Enlightenment vs Self Interest: Financial Performance Differentials of 'ethically' Managed Companies*, University of Nottingham Discussion paper 1996.IX.

Bartolomeo, Matteo., 1995. *Environmental Performance Indicators in Industry*, FEEM Working Paper 41.95, FEEM.

Risk Rating

CSFI (Centre for the Study of Financial Innovation)

(1) Lascelles, David., 1993. *Rating Environmental Risk*, CSFI.

(2) CSFI, 1995. *An Environmental Risk Rating for Scottish Nuclear*, CSFI.

Diltz, J.D., 1995. 'Does social screening affect portfolio performance?', *The Journal of Investing*, Spring, pp.64–69.

Grayshott Corporate Finance, 1996. *Safety and Environmental Risk Management Rating (SERM)*.

WBCSD (World Business Council for Sustainable Development), 1997. *Environmental performance and shareholder value*, WBCSD.

Weiss, Pierre., 1996. *Ethics and Investment: philosophy; examples and results*, unpublished conference paper.

W.M. Company, 1996. *Is There a Cost to Ethical Investing?*, W.M. Research.

APPENDIX 3:

WEBSITES ON ACCOUNTING

The Global Reporting Initiative (GRI)
<http://www.globalreporting.org>

The International Federation of Accountants
<http://www.ifac.org>

International Accounting Standards Committee
<http://www.iasc.org.uk>

The International Accounting NetWork
<http://www.csu.edu.au/anet>
http://www.csu.edu.au/anet/accounting_services/assns/index.html#top

International Standards Organisation (ISO)
<http://www.iso.ch/>

United Nations Conference on Trade and Development (UNCTAD): inter-governmental working group of experts on international standards of accounting and reporting
<http://www.unctad.org/en/enhome.htm>

United Nations Environment Programme (UNEP)
<http://www.unep.org>

World Business Council for Sustainable Development (WBCSD)
<http://www.wbcsd.ch>

Australia Asia and the Pacific

Australian Society of CPAs
<http://www.cpaonline.com.au>

Institute of Chartered Accountants in Australia
<http://www.icaa.org.au>

The Institute of Cost and Works Accountants of India
<http://www.surfindia.com/icwai/homepage.htm>

Confederation of Asian and Pacific Accountants (CAPA)
<http://www.jaring.my/capa>

Hong Kong Society of Accountants (HKSA)
<http://www.hksa.org.hk>

International Federation of Accountants (IFAC)
<http://www.ifac.org>

Indonesia Institute of Accountants
<http://www.akuntan.org>

The Japanese Institute of Certified Public Accountants

<http://www.iicpa.or.id>

Malaysian Institute of Accountants
<http://www.mia.org.my>

The Malaysian Association of Certified Public Accountants
<http://www.jaring.my/macpa>

Institute Of Chartered Accountants Of New Zealand
<http://io.knowledge-basket.co.nz/nzsa>

The Institute of Chartered Accountants of Pakistan
<http://www.icap.org.pk>

Institute of Cost and Management Accountants of Pakistan
<http://www.icmap.com.pk>

Institute of Certified Public Accountants of Singapore
<http://www.accountants.org.sg>

The Institute of Chartered Accountants of Sri Lanka
<http://www.icasrilanka.com>

Federation Of Certified Public Accountants Associations of Chinese Taiwan
<http://www.nfcmaa.org.tw>

The Institute of Certified Accountants and Auditors of Thailand
<http://www.icaat.or.th>

British Isles

Chartered Institute of Management Accountants (CIMA)
<http://www.cima.org.uk>

Institute of Chartered Accountants in Ireland
<http://www.icaei.ie>

The Association of Chartered Certified Accountants (ACCA)
<http://www.accaglobal.com>

Institute of Chartered Accountants in England and Wales (ICAEW)
<http://www.icaew.co.uk>

Canada

Certified General Accountants' Association of Canada
<http://www.cga-canada.org>

The Canada Institute Of Chartered Accountants
<http://www.cica.ca>

Ordre de Comptables Agréés de Québec/Institute of Chartered Accountants of Quebec
<http://www.ocag.qc.ca>

Society of Management Accountants of Canada
<http://www.cma-canada.org>

CMA (Maritime Provinces and Bermuda)
<http://www.purdyswharf.com/CMA>

Europe

European Accounting Association
<http://www.birmingham.ac.uk/EAA>

Ordre des Experts Comptables – France
<http://www.experts-comptables.com>

USA

American Institute of Certified Public Accountants (AICPA)
<http://www.aicpa.org>
<http://www.rutgers.edu/Accounting/raw/aicpa/home.htm>

Association of College and University Auditors (USA)
<http://www.acua.org>

Pennsylvania Institute of Certified Public Accountants. 137
<http://www.picpa.com>

Regulators

Australian Stock Exchange (ASX)
<http://www.asx.com.au>

US Securities Exchange Commission (SEC)
<http://www.sec.gov>

Financial Accounting Standards Board
<http://www.rutgers.edu/Accounting/raw/fasb>

Academic Accounting Associations

American Accounting Association
http://www.csu.edu.au/anet/accounting_services/assns/aaa/aaa_sections.html

Accounting Association of Australia and New Zealand 1997 AAANZ Annual Conference
<http://www.ecom.unimelb.edu.au/accwww/aaanz>

European Accounting Association
<http://www.bham.ac.uk/business/eaacong.html>

Accounting & Business Schools

Australia.

Flinders School of Commerce
<http://www.law.flinders.edu.au>

Macquarie University Graduate School of Management
<http://www.gsm.mq.edu.au>

School of Accounting, University of New South Wales
<http://pacioli.ace.unsw.edu.au>

Uni of Qld Commerce Dept
<http://www.commerce.uq.edu.au>

China & Hong Kong

Chinese University of Hong Kong School of Accountancy
<http://www.cuhk.hk/acy>

United Kingdom

The University of Birmingham
http://www.bham.ac.uk/business/home_page.html

Centre for Social and Environmental Accounting Research
<http://www.gla.ac.uk/departments/accountancy>
(the Site contains many useful resources, including bibliographies, reading lists, and a collection of links to other web resources, including on-line corporate social disclosure)

USA

Dept. of Accounting & MIS at Ohio State University.
<http://www.cob.ohio-state.edu/dept/acctmis/acctmis.html>

Cal. State U. – Stanislaus (Steve Filling's page).¹³⁹
<http://panoptic.csustan.edu>

Accounting, Financial and Consulting Firms

Directory of CPA Firms
<http://www.cpa-firms.com>

Coopers and Lybrand (AUS)
<http://www.colybrand.com.au>

Ernst & Young (USA)
<http://www.ey.com>

Deloitte Touche Tohmatsu (AUS)
<http://www.deloitte.com.au>

Accounting Firms in Australia
<http://www.proserve.com.au>

J P Morgan – a financial services firm
<http://www.jpmorgan.com>

Education (Accounting)

Great Ideas In Teaching Accounting

<http://www.swcollege.com/vircomm/gita/gita.html>

Other Jumpstations

The Week's Accounting Top Five sites ASCPA link page

<http://www.hbpp.com/topfive/topfive.html>

Institute of Management and Administration (a very comprehensive set of links)

<http://www.ioma.com/index.html>

Legislation On-line

Commonwealth Consolidated Legislation including:

- The Corporations Law
- Administrative Appeals Tribunal cases
- Commonwealth Consolidated Regulations
- Federal Court cases.

http://www.austlii.edu.au/au/legis/cth/consol_act

The Wharton Journal at The University of Pennsylvania

<http://journal.wharton.upenn.edu>

APPENDIX 4:

REVIEW BODY FOR ENVIRONMENTAL ACCOUNTING

WORKSHOP MANUAL

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APPENDIX 5:

BIOGRAPHIES OF TRAINERS DELIVERING THE WORKSHOP MATERIAL

Roger Adams is the Head of Technical Services and Research at the Association of Chartered Certified Accountants and over recent years has been at the centre of the discussions concerning environmental reporting. He is a member of the ISAR working group that produced the Position Paper used for this workshop. He was the initiator and is the manager of the UK ACCA awards scheme which has been a catalyst to promote more comprehensive environmental reporting and is now in its very successful eighth year. Before joining ACCA he was a lecturer in financial accounting, auditing and finance a position he held for twelve years. He has published an extensive range of works related to technical publications and textbooks in auditing and accounting. In addition, he has conducted training courses in auditing and accounting in a number of overseas locations.

Dr Andrea Coulson is a lecturer at the Department of Accounting and Finance at the University of Strathclyde. She was a research fellow at Durham University, Business School. A winner of the Economic and Social Research Council Global Environmental Change Programme Fellowship Award. She has been lecturer in finance and in environmental accounting at Durham University. As an environmental researcher with TNI Environmental services, she looked at the establishment of environmental policies and identification of environmental performance measurement criteria. Dr. Coulson has worked at Price Waterhouse & Co. as corporate financial auditor. She has held a number of academic related positions such as Course Tutor in the business environment, aimed at providing corporate case studies and delivering courses; and Programme Co-ordinator aimed at providing knowledge and skills to undertake environmental reviews. Dr. Coulson has conducted and published several conference papers and books chapters on finance and the environment.

Kaspar Mueller is a founder member and has been a partner of Ellipson Ltd. since 1990. He holds a Masters degree in economics from the University of Basel, Switzerland. His first environmental work dates back to the mid-1980s, when he developed a concept for environmentally sound investment. He previously worked as a financial analyst and head of corporate finance department at a Swiss Private Bank (1980 – 1989). Mr. Mueller worked for the Bear Stearns, Corporate Finance in New York in 1986. He is co-chairman of the Commission on Financial Accounting of EFFAS (European Federation of Financial Analysts' Societies). He is a member of the board of the Swiss Association of Financial Analysis and Investment Management and the Accounting Standard Setting Committee of Switzerland (SWISS – GAAP/FER). Presently Mr. Mueller is developing concepts and methodologies that support the development and implementation of sustainable strategies for the private and public sector.

Dr Andreas Sturm is a Partner at Ellipson Ltd. He holds a Master Degree (lic.oec.HSG) in Business Administration at the University of St. Gallen, Switzerland in 1987 and Doctorate at the "Management Institute" at the University of Basel, Switzerland. Where he looked at "Environmental decisions, Environmental management accounting versus life-cycle-analysis, the necessity criteria, concepts in companies. He is specialised in eco-controlling, environmental management system design and implementation and value based management. He was project manager of a research project on "Eco-Controlling for companies" Dr. Sturm lectures on Eco-Management at the University of Basel,

Switzerland and at the Asian Institute of Technology School of Management (SOM), Thailand.

Mr. Constantine Bartel is an Economic Affairs Officer at the United Nations Conference on Trade and Development, to maximise the trade, investment and development opportunities of developing countries in a globalising world. Prior to this, he worked for the Environment and economics unit of UNEP in Nairobi and Geneva on environmental policy and capacity building for environmental impact assessment in developing countries and countries with economies in transition. Mr. Bartel has been involved in the UNEP financial institutions initiative and has worked with the world conservation organization (IUCN) on biodiversity business. He was a tutor at the Third World Center of the University of Nijmegen in the Netherlands and a teaching assistant at the masters programmes of the International College of Agriculture in Deventer the Netherlands. Under a USAID Regional programme, Mr. Bartel worked for the Costa Rican Investment Office, CINDE/CENPRO on Investment promotion strategies in the agro-business sector in Costa Rica. Mr. Bartel holds a master's degree in Economics and a degree in International Trade from the University of Nijmegen and the College of Agriculture respectively.

APPENDIX 6:

Demonstrating the links between financial accountability, environmental accountability and sustainability reporting: an overview

Roger Adams, Technical and Research Director, Association of Chartered Certified Accountants, UK

When people talk about the last 50 years of the 20th century, there is a tendency to focus on technological advancements at the expense of advances in other areas. One such "other" area which may be little commented upon at present, but which in the future will be seen as revolutionary, is the change that has occurred in attitudes towards **corporate accountability**. This short introductory presentation sets out to highlight - and try to explain - some of the major changes that have occurred over that period.

Overview

The company (circa 1950)

Fifty years ago, accountability had a very limited range - shareholders, prospective shareholders and revenue service: and the only language spoken was strictly the financial one. There were no accounting or auditing standards for most of the world.

Greater financial accountability (1970 - 2000)

International accounting and auditing standards are a feature of the last 25 years - driven by the internationalisation and convergence of international capital markets. "IASC 2000" is the end result of this convergence.

External: corporate governance issues (1990 - 2000)

The theory of corporate governance goes back much further than 1990, but the public reporting of CG issues - in particular Board level accountability and transparency probably starts with the UK Cadbury Committee report on the financial aspects of corporate governance (1991).

Environmental legal compliance (late 1980's - 2000)

The world's first environmental management standard (EMS) was Britain's BS 7750 (1992), now ISO 14001 (1998). Environmental legislation at the national level has been growing rapidly as have regional compliance requirements and certification schemes (e.g. the European Union's 1995 EMAS scheme). Environmental concerns relating to issues such as global warming and the ozone layer began coming to greater public (and more importantly political) prominence around this time.

Wider environmental accountability (1990 - 2000)

The advent of certified EMS's such as ISO 14000 and EMAS coincided with the start of corporate environmental performance reporting. In 1990, only 7 companies in the UK issued stand-alone public environmental reports - and pretty poor affairs they were too, most of them. Ten years on about 50% of large UK

companies issue such reports on an annual basis and the standard is becoming increasingly sophisticated.

Cost and eco-efficiency issues - environmental performance indicators (1995 - 2000)

EMS's and environmental reports grew increasingly sophisticated as the decade wore on and great importance began to be paid to Environmental Performance Indicators (EPI's). These indicators focus particularly on cost and resource efficiency. Organisations such as UNCTAD, the World Business Council for Sustainable Development (WBCSD), the United Nations Environment Programme (UNEP) and the European Federation of Financial Analysts Societies (EFFAS) have been particularly important in developing these quantifiable measures of environmental accountability.

Internal benchmarking , the balanced scorecard (1995 - 2000)

Throughout the 1990's there have been calls for companies to adopt a broader perspective to strategy and risk. The so-called Balanced Score Card is one such approach, as is self-appraisal under the methods advocated by organisations such as the European Quality Foundation. Probably only in the last 5 or so years has the take-up of such wide-ranging internal self-assessment methodologies become both widespread and a feature of public reporting.

Social and ethical accountability: the rise of reputational risk

Risk - and its effective management - has become a major reporting issue for the 1990's. Risk may flow from conventional financial sources - hedging operations for example - but may also flow from less obvious sources such as:

Monsanto - GMO's; Shell - Nigeria/Brent Spar; Nike - child labour; Texaco - sexism; Perrier - contaminated water

Reputational risk is the term being applied to potential losses flowing from these non-financial sources. Reputational risk has assumed a high profile because many companies - especially hi-tech companies - are increasingly dependent upon a largely intangible set of assets to support their stock price.

The triple bottom line: financial/economic; social and environmental reporting (1995 - 2000)

Balanced score card type methods tend to refer back to quality management systems (ISO 9000) or environmental management systems (ISO 14000) reliability.

Fuller acceptance of the notion of "corporate social accountability", based as it is upon the guiding principle of "transparency", has been the key feature of the mid - late 1990's. The "triple bottom line approach" suggests that companies acknowledge their broader impacts and seek to report publicly on their triple bottom line performance: economic, social and environmental.

Sustainability reporting (based on the sustainability reporting guidelines of the Global Reporting Initiative - GRI)

Sustainability reporting goes beyond simple acknowledgement of the 3 elements of the triple bottom line and tries to integrate the three issues within the broader context of sustainable development.

GRI Global Sustainability Reporting Initiative was created late in 1997. Sustainability reporting guidelines were first issued for comment and pilot testing in March 1999 (www.globalreporting.org) and have subsequently been updated in 2002.

It is estimated that by the end of 2001 some 100 large multinational companies have voluntarily published GRI/ triple bottom line/ sustainability reports.

Demonstrating the link between financial accountability, environmental accountability and sustainability reporting

10. Sustainability reporting (based on the sustainability reporting guidelines of the Global Reporting Initiative - GRI)		
9. Triple bottom line reporting: financial/economic; environmental; social - greater focus on risk (from all quarters)		
8. Social and ethical accountability: reputational risk (AA 1000, SA 8000, etc.)	1. The company	2. Financial accountability: financial statements (provisions, liabilities, risks, etc.) and financial audit
7. Internal: the balanced scorecard and other quality management initiatives		3. External: corporate governance issues
6. Cost and eco-efficiency issues: EMS's, EPI's and environmental cost accounting	5. Environmental accountability: environmental reporting and independent verification	4. Environmental (legal) compliance: environmental management systems (EMSs)