

Comprehensive social, environmental and economic reporting

The need for accountability in public and corporate affairs is a widely accepted principle. Until recently, however, financial accountability has been the only form of accountability required of public and business behaviour. Thus for some time there have been requirements for public companies to prepare and publish audited financial accounts and government bodies have been required to prepare annual reports containing full financial statements.

In the last few decades there has been increasing recognition that accountability extends far beyond financial reporting and that monitoring and reporting should also be required of social, cultural, political and environmental performance and impacts. This is an international movement sponsored by bodies such as the United Nations Commission for Sustainable Development (UNCSD), the Organisation for Economic Co-operation and Development (OECD) and the European Union. The UNCSD and OECD have, for example, developed reporting frameworks for application worldwide. It is increasingly recognised that good information leads to greater capacity to deal with problems and greater opportunities for new and more imaginative action.

In parallel with these movements, triple bottom line business reporting has been developed as an extension of business reporting practices, traditionally focused on financial reporting only. Triple bottom line reporting asks corporations to report on environmental, social and economic impacts and trends. Quadruple bottom line reporting extends this concept further by including reporting on cultural impacts.

The Global Reporting Initiative (GRI), a network-based global organisation based in the Netherlands, has developed international standards for triple and quadruple bottom line reporting. These standards are applicable to business entities, government departments, universities and similar bodies. The GRI reporting frameworks are the

most widely adopted organisational reporting frameworks around the world.

To give the widest possible expression to this new form of reporting it could best be described as Comprehensive Reporting.

Comprehensive reporting of national and regional trends

Regular, comprehensive and independent reporting of social, cultural, environmental and economic trends is of fundamental importance to the future of the nation. Without this reporting, key information is not known to Australian people or their governments and therefore, there is an inadequate basis for decision-making. Unbalanced reporting is almost as serious a problem as the absence of any reporting.

In Australia, the Australian Bureau of Statistics (ABS) has been a pioneer of comprehensive reporting through the development of its annual Measures of Australia's Progress (MAP) summary statistical reports covering:

- Social indicators (individuals and communities): health, education and training, work, social cohesion, crime, democracy, governance and citizenship
- Economic indicators: national income financial hardship, national wealth, housing and productivity
- Environmental indicators: the natural landscape (biodiversity, land degradation, water), the human environment, oceans and estuaries, and international environmental concerns such as Australia's greenhouse gas emissions.

All Australian states and territories now produce 'state of the environment' reports. The states and territories have also launched some good comprehensive reporting initiatives, but there are significant reporting gaps and a lack of uniformity in the approaches adopted. The MAP statistical

reports need to be supported by more detailed reports at four or five year intervals which offer commentary on the reported conditions and trends. This is the reporting pattern established for federal environmental reporting, and would be a desirable arrangement for all reporting regimes.

A promising 2010 initiative has been the movement to establish an independent Australian National Development Index to complement the MAP reports. It responds to growing acceptance in the community and among policy-makers of the need for better and more representative measures of national progress, well-being and sustainability. The Index is being developed by a consortium including the Australian Bureau of Statistics, the Australian Research Alliance for Children and Youth, the Australian Conservation Foundation, the Australian Council of Social Service and a number of universities. It will report regularly on outcomes across society, culture, economy, environment and democracy, both in specific fields (such as education, health and employment) and in broader areas (such as equity and sustainability). The reports will also identify the key determinants of change from year to year, to help to promote informed public debate about national progress and priorities. They will facilitate the articulation of a shared vision of sustainable progress, improve accountability and reporting by government and provide an authoritative source of information for evidence-based policy making.

Statutory independence for national and state reporting regimes

Current processes of governmental monitoring and reporting suffer from a lack of independence and consistency. The appointment of Commissioners who are given statutory responsibility for monitoring and reporting would have two significant benefits. First, the Commissioner would be independent with the right to report directly to parliament, a role similar to that of an auditor-general or ombudsman. Second, a statutory position would allow a Commissioner greater scope to develop consistent frameworks for reporting.

Federally, the Australian Bureau of Statistics is a statutory body and so its MAP program meets the requirement for

statutory independence. The federal government body responsible for four-yearly 'state of the environment' reports (currently the Australian State of the Environment Committee) does not, however, have statutory independence. In some states and territories there are Commissioners appointed by statute (notably the Commissioner for Environmental Sustainability in Victoria and the ACT Commissioner for the Environment), but this is not the norm, nor are there similar statutory bodies responsible for social reporting.

Comprehensive reporting of organisational performance

Government bodies

Since 2000, all Commonwealth agencies have been required to include reviews of their environmental performance in their annual reports. In 2002–03, the Commonwealth Auditor-General conducted a review of sustainability reporting in Commonwealth agencies and found that the level of compliance with this requirement was relatively low and that there was "considerable scope for improvement in relation to the quality of agencies' annual reports". There are similar problems with social reporting.

Some states and territories have made progress in promoting comprehensive organisational reporting. However, there are still significant gaps in reporting and few state and territory government departments currently prepare comprehensive reports on their operations. Comprehensive reporting is in fact more common among government business enterprises (government-owned legal entities established to carry out commercial activities on behalf of government).

Business corporations – corporate social responsibility (CSR)

John Elkington, prominent researcher and writer on business trends, argues that the corporate world is facing a number of significant changes. Boards, he says, will increasingly focus on sustainability and the triple bottom line (financial, social and environmental performance). The table below illustrates these changes.

BUSINESS CATEGORY	OLD APPROACH	➔	NEW APPROACH
Corporate goal	Financial bottom line	➔	Triple bottom line
Nature of capital	Physical and financial	➔	Economic, human, social and natural
Assets	Tangible, owned	➔	Intangible, borrowed
Management approach	Downsizing	➔	Innovation
Governance	Exclusive	➔	Inclusive
Corporate responsibility	Shareholders	➔	Stakeholders

From *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (p. 311), by J. Elkington, 1997. Oxford: Capstone Publishing.

The shift towards better reporting has been influenced by the need for better internal information and for greater public transparency. If an organisation has little or no knowledge of the level of its toxic waste emissions or energy and material use, it will be in no position to deal with their reduction. Equally, corporations will not have the information to drive innovation and change that will give them competitive advantage.

Transparency is also a significant public issue. With communication innovations, increasing speed in communication and more aggressive investigation of corporate behaviour by non-government organisations and investigative journalists, it is becoming more difficult for businesses to conceal their behaviour from public scrutiny. Many corporate leaders have, as a consequence, concluded that full public disclosure is the safest and most effective response.

As corporations become increasingly aware of the need to pay greater attention to social and environmental issues and to monitor their organisational responses to these issues, they also begin to see many new opportunities. Below is a typical sequence of organisational responses to these challenges together with a description of the benefits associated with each approach:

- **Compliance** with government regulation, reducing problems with regulators and helping to anticipate and prepare for further regulation;
- **Risk assessment** and the reduction of insurance, business and public image risks associated with poor levels of environmental and social performance;

- **Responding to green and social consumerism**, responding positively to the increasing consumer demand for clean, green and ethically manufactured products and services;
- **Life cycle product planning**, finding imaginative ways to respond to requirements of life cycle environmental performance, leading to new business opportunities;
- **Achieving cost savings**, for example through reducing energy and material use and taking advantage of opportunities for recycling and transforming waste to new products;
- **Recognising the value of social and intellectual capital and understanding that social and intellectual capital in business entities is as important (and in some instances more important) than financial and physical capital;**
- **Satisfying the social expectations of staff** and greater ability to attract the most talented young graduates; and
- **Harnessing business opportunities** and exploiting the competitive advantage of industry leadership in environmental and social performance.

Regular and comprehensive business reporting is still far from the norm. A 2005 review by the Centre for Ethical Australian Research, entitled 'State of Sustainability Reporting in Australia', found that while the number of reports is increasing, the proportion of large Australian companies with reports remains very low. Only 24 per cent of the companies covered by the review produced sustainability reports. The report also found that foreign owned companies were more likely to produce a report than Australian companies.

Comprehensive reporting by universities, non-profit and other organisations

Very few universities have established comprehensive reporting systems. Among those universities that have introduced full sustainability reporting, there is considerable variability in the frameworks adopted. Comprehensive reporting within the not-for-profit sector also appears to be very limited.

External auditing

Once it becomes commonplace and eventually mandatory for organisations to produce comprehensive reports, auditing will be needed to ensure that reports are accurate and comply with statutory requirements. This is simply an extension of current auditing requirements. Increasingly, organisations with an eye to the future will initiate this of their own accord due to the perceived benefits of being industry or sector leaders.

Political Accountability

Another vitally important aspect of public accountability is *political accountability* – the responsibility of governments and all their agencies to account for their actions to their citizens. A full discussion of political accountability is available on the Australian Collaboration's website under the heading 'Democracy in Australia'. Related discussion is available on the same website in the essays *Democracy under Siege* and *Corruption: The abuse of entrusted power in Australia* under the heading 'Essays, Books and Reports'.

Useful sources

Australian Bureau of Statistics website. Retrieved 12 January 2012 from <http://www.abs.gov.au>

The Australian Bureau of Statistics (ABS) home page lists the main statistical products of the ABS. The site also provides direct access to the Measures of Australia's Progress (MAP) program.

Elkington J. (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Oxford: Capstone Publishing. John Elkington is a leading thinker on business reporting.

Global Reporting Initiative website. Retrieved 12 January 2012 from <http://globalreporting.org>

The GRI, an initiative of the United Nations Environment Programme and the Coalition for Environmentally Responsible Economies, has developed rigorous standards for organisational reporting. Its frameworks are the most widely used worldwide.

Macintosh A., & Wilkinson D. (2006). *Which Direction? A Review of Monitoring and Reporting in Australia*, Melbourne: Australian Collaboration. Retrieved 12 January 2012 from <http://www.australiancollaboration.com.au/pdf/Reports/Which-Direction.pdf>

This report offers a comprehensive review of monitoring and reporting in Australia. It discusses principles for comprehensive reporting, the state of play in governments, business and other organisations in Australia, and makes recommendations for improving monitoring and reporting.

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