Contents

Editorial

Feature Article
Environmental Management Indicators for Sustainable Organisations — environmental accounting data analysis of Canon and Ricoh
Chika Saka and Roger Burritt

IASB Press Release
IFRIC issues guidance on liabilities for waste management costs

Call for Contributions: Special Edition of Greener Management International

Call for Papers: Special Issue of AAAJ

Regular Features
Environment Extra!

Reviews: Sustainability Reporting
Corporate Social Responsibility

Poetic Corner

Page No.
2
3

14

15

18

20

25

26

29

Published by the Newcastle Business School, The University of Newcastle, Australia.

Sponsored by CPA Australia NSW Division

Copyright, September 2005
ISSN 1442-1224
In this bumper third edition of the APCEA Journal for 2005 the feature article is by Chika Saka, Visiting Fellow at the Australian National University and Roger Burritt, Reader at The Australian National University.

Chika and Roger analyse the environmental accounting data of Canon and Ricoh, two Japanese electronics companies, using a set of environmental management indicators. A number of problems are raised associated with the interpretation of specific indicators and three specific issues outlined in relation to problems of comparability: differences in boundary definitions and in the methods for calculating environmental costs and benefits; limited information about environmental benefits and burden; and lack of information about stocks (accumulated environmental burdens and environmental liabilities).

The Journal also includes its regular feature Environmental Extra! As well as a call for contributions to a Special Issue of Greener Management International. The call for papers for a special issue of AAAJ of particular interest to our readers has again been included as the closing date is 31 December, 2005.

Readers wishing to contribute articles or news, should contact:

Dr Roger Burritt
Editor, APCEA Journal
Email: roger.burritt@anu.edu.au
Ph: +61 2 6125 3670
Fax: +61 2 6125 5005

Articles should be submitted in word format as an email attachment. A pro forma is available for this purpose on request. Articles are subject to independent peer review by members of the Editorial Board prior to acceptance for publication.

APCEA Editorial Board:
Patricia Stanton (Joint Editor) – Newcastle Business School, The University of Newcastle, Australia
Roger L Burritt (Joint Editor) – The Australian National University
Lorne Cummings – Macquarie University, Australia
Geoff Frost – The University of Sydney, Australia
Kathy Gibson – University of Tasmania, Australia
Sumit Lodha – The Australian National University
Professor M.R. (Reg) Mathews – Charles Sturt University, Australia
Gary O'Donovan – University of Tasmania, Australia
Jean Raar – Deakin University, Australia
Dr Chika Saka, School of Business Administration, Kwansei Gakuin University, Japan and Visiting Fellow at The Australian National University and Dr Roger L. Burritt, School of Business and Information Management, The Australian National University.

1. Introduction

In Japan, more than 90% of companies which disclose environmental accounting information use the Ministry of Environment (MOE) Environmental Accounting Guideline (MOE, 2002; Nishioka, p.184).

In the MOE Guideline, environmental accounting consists of the following structural elements and has the purpose of attaining two types of benefits derived from costs incurred from environmental conservation activities during the regular course of business (See Figure 1).

Environmental cost consists of investments and expenses, which relate to the prevention, reduction and/or avoidance of environmental impacts, removal of such impacts, restoration following the occurrence of a disaster and other activities, measured in monetary terms. Environmental benefit is the benefit obtained from environmental conservation activities and is measured in physical units. Economic benefit is the company’s income resulting from environmental conservation activities and is measured in monetary terms.

![Figure 1: Environmental Cost and Benefit in the MOE Guideline (MOE, 2002)](http://www.nikkei-r.co.jp/kankyo/2004/seizo/s_ranking.htm)
Environmental/sustainability reports provide the main source of environmental accounting information in Japan. All data in the following tables except for the data shown in italics are derived from the environmental accounting sections in Canon’s and Ricoh’s environmental/ sustainability reports. Figures in italics are extracted from other sections in the environmental/ sustainability reports, or from their financial reports. As the basis for analysis of the environmental accounting information the indicators proposed in the Japanese Institute of CPA research report No.22 (2004) “Issues and Future Developments of Environmental Accounting in Japan” are used.

This paper examines what kind of analysis is possible using environmental accounting information disclosed in selected corporate environmental reports in the electronics industry in Japan and the limitations of such analysis. The following are addressed in turn in this short paper: analysis of environmental costs, analysis of environmental benefits and impacts (physical units), analysis of economic benefits (monetary value), analysis of environmental impact (monetary value), social costs and concluding comments.

2. Analysis of Environmental Costs

The MOE guideline recommends that environmental costs should be disclosed for each category of environmental investments and environmental expenses. Environmental investment information is related to the environmental activities associated with capital investments that generate long-term benefits.

When comparing environmental costs of different companies it is not enough to rely on the nominal amounts, instead, it is also necessary to consider business size and industry. To eliminate the effect of business size when analysing environmental costs, the following sales revenue indicator can be used:

Environmental cost to sales ratio (%)
= Environmental costs (yen) / Sales (yen)

“Profit of the current period” or “total assets” can also be used as deflators.

Even when using a time-series comparison of data for a single company, the change in business size is reflected in sales revenues. For example, business expansion as a result of merger or business contraction as a result of factory closedown will affect revenues. Division by sales revenue compensates for the change of the business size and makes it possible for to compare environmental costs between companies as well as over time for a specific company.

Information about environmental cost also indicates how much of its management resource the company invests in environmental activities. When analyzing the importance the company gives to environmental activities in its business, the following indicators can be used:

Environmental expense ratio (%)
= Environmental expenses (yen) / Gross operating expenses (yen)

Environmental investment ratio (%)
= Environmental investments (yen)/ Gross capital investments (yen)

Environmental Research and Development (R&D) cost ratio (%)
= Environmental R&D costs (yen)/ Gross R&D costs (yen)
When these indicators are used, it is necessary to confirm the scope of the environmental costs or expenses. As environmental accounting does not have a specific accounting standard, such as those developed for financial accounting, variation exists between companies in relation to the items that are included in environmental expenses or investment categories.

On the other hand, the contents of environmental costs (activities for which environmental costs are reported) changes depending on the extent of environmental consciousness in society and the level of corporate environmental activity, so that a rigid definition of environmental costs could cause problems. Hence, when analyzing environmental costs it is desirable to take the contents of corporate environmental activities into consideration. It should be noted that larger environmental costs do not necessarily mean better environmental performance. Environmental benefits related to environmental expenditures made need to be checked at the same time. Environmental benefit is mentioned in the following section.

Environmental costs and related ratios for Canon and Ricoh are shown in Table 1 (see p.13). All the figures in Table 1 are consolidated figures which include domestic business and those related to activities outside Japan. The consolidated coverage slightly differs between the environmental accounts and that used for consolidated financial statements, however this should not materially affect the comments made below. For example, some non-manufacturing companies/sales subsidiaries are not included in the environmental reports and their relative environmental impacts could be considered to be quite small. Financial accounting figures shown in italics are extracted from the consolidated financial statements.

Table 1 reveals that in both companies environmental costs have increased, but more so in Ricoh, which has almost doubled its expenditure in the past five years. While Canon’s “Environmental costs to sales ratio” and “Environmental expense ratio” are almost unchanged over the period, these ratios for Ricoh have increased in past five years, which indicates that Ricoh’s environmental costs have increased more than the expansion of its operations.

As for environmental investment, in general both the “Environmental investment” and “Environmental investment ratio” for Canon are at higher levels than for Ricoh. However, one of the reasons is that Ricoh narrowly defines environmental investment as that related to investment in fixed assets as defined for financial accounting, but Canon adds contamination remediation costs etc. to its environmental investment figures based on its in-house environmental investment criteria.

In the case of environmental R&D costs, Ricoh’s “Environmental R&D costs” and “Environmental R&D cost ratios” are higher than Canon’s.

3. Analysis of Environmental Benefits and Impacts (Physical Units)

(1) Environmental Benefits

In the MOE Guideline, environmental benefit consists of “Environmental benefit (physical units)” and “Economic benefit (monetary value)” (See Figure 1). This section examines environmental benefit (physical unit), while economic benefit
(monetary value) is considered in the next section.

Environmental benefit is calculated as the difference between the total volume of environmental impacts in the previous and current years. Environmental benefit is the reduced volume of environmental impact, so that a larger environmental benefit means that the company contributed more to environmental conservation. However, as the amount of environmental benefit is affected by the size of the company, the following indicators, based on sales revenue as a deflator, can be used to eliminate the effect of the business size. In addition to "sales", the "profit of the current period" or "total assets" can also be used.

**Environmental benefit to sales ratio (t/yen)**

\[ \text{Environmental benefit to sales ratio (t/yen)} = \frac{\text{Reduction volume of environmental impact (t)}}{\text{Sales (yen)}} \]

As environmental benefit is the benefit from incurring environmental costs, the following indicator can be used to show the level of cost effectiveness:

**Environmental benefit to environmental cost ratio (t/yen)**

\[ \text{Environmental benefit to environmental cost ratio (t/yen)} = \frac{\text{Reduction of environmental impact (t)}}{\text{Environmental costs (yen)}} \]

This indicator shows how much environmental impact has been reduced by spending 1 yen as an environmental cost. However, this indicator is only useful when the contents and scope of environmental costs and benefits correspond with each other. As the level of the environmental activity increases, cost effectiveness (environmental benefit to environmental cost ratio) usually decreases, so that the absolute level of total environmental impact, reflecting the status of progress, should also be considered.

**Environmental Impacts**

Environmental impact (in physical units) of activities is essential information for the proper evaluation of environmental costs and benefits. Environmental impact is represented by physical information about the company's absolute environmental burden. The current level of environmental impact reflects the company's environmental achievements in reducing its impact. As environmental impact figures are influenced by business size, the following indicators based on sales can be used to eliminate the effect of business size. "Total assets" or "the number of employees" may also be used.

**Environmental impact to sales ratio (t/yen)**

\[ \text{Environmental impact to sales ratio (t/yen)} = \frac{\text{Environmental impact (t)}}{\text{Sales (yen)}} \]

This indicator shows the volume of environmental impact per 1 yen of sales. The smaller the "environmental impact to sales ratio" the better; however the ratio is affected by industry, and so an inter-industry comparison is not appropriate. Moreover, even if this relative indicator declines, the increase of total environmental impact because of expanding sales is undesirable.

From another perspective, the following indicator shows the percentage of the environmental impact that the company has reduced in the current period:

**Environmental benefit to total environmental impact ratio (%)**

\[ \text{Environmental benefit to total environmental impact ratio (t)} = \frac{\text{Reduction volume of environmental impact (t)}}{\text{Total environmental impact (t)}} \]
Reduction in the volume of environmental impact is reflected by the company’s past activities. At the first stage of environmental activity there is more room for reduction of environmental impact, but when the activity is at a higher level, the room for reduction will usually be lower. For instance, in the case where the company has already attained zero-emission production, there is little room for environmental benefit to be achieved through further reduction via continuous improvement. Therefore, to evaluate the reduction in volume of impact, or the reduction ratio, a simple comparison is not appropriate. Instead, it is necessary to consider the company’s past activities. As the achievement levels from past activities are reflected in the level of total environmental impact of the current period, data about total environmental impact should also be considered.

Table 2 (see p.14) shows the environmental benefits and related ratios of Canon and Ricoh. CO2 and Waste reduction are considered as benefits here because they represent important environmental burdens.

Before analysing the figures in Table 2, it is necessary to acknowledge that the concept of “reduction” differs between the two companies. Ricoh reports the amount of reduction in the emission of substances for the current year in comparison with those in the previous year (emissions in the previous year less emissions in current year), which line up with the calculation outlined in the MOE Guideline. In contrast, Canon has calculated the “CO2 reduction” as the estimated extent to which energy saving for one year stems from energy saving investments/activities conducted in the current period. Therefore, as Canon’s figure does not reveal the increase or decrease in total CO2 emissions, in order to find Canon’s total CO2 emissions it is necessary to refer to other sections than the environmental accounting section in Canon’s sustainability report (shown in italics in Table 2).

In relation to the waste emission data, Ricoh’s data relate to final disposal volume; on the other hand Canon’s data reflect the total volume of gross emissions. From the indicators, Canon’s waste emission volume seems more than Ricoh’s even though both are declining. However as outlined above, a simple data comparison is not appropriate.

As the meanings associated with the impact reductions differ between two companies, strictly speaking, the meanings of the ratio of “CO2 reduction (t) / Sales (million yen)” also differ. Hence, it is inappropriate to use these figures for inter-company comparisons, but they are useful for time series comparison for the performance of a single company. For example, Table 2 shows the trend in volumes for Canon’s “CO2 reduction” and “Waste reduction”. It also shows that Canon’s “total CO2 emission” appears to have increased for each of the past five years, although one of the reasons for this is that Canon has expanded the scope of its data gathering aggregation exercise over the period examined. In contrast, Table 2 also shows that Ricoh’s volume of “CO2/Waste reduction” and “CO2 / waste reduction to sales ratio” have decreased.

Both Canon and Ricoh commenced their environmental conservation activities at an early stage and are known as leading environmental companies in Japan. Both companies have substantially accomplished a high level of CO2/waste reduction and most of their plants have reached zero-emissions. Therefore, it is difficult for both
companies to gain further environmental benefits.

To calculate the “Environmental benefit to environmental cost ratio” (Reduction of environmental impact/ Environmental costs), various environmental benefits (reduction of CO2, waste, NOx, SOx, etc.) have to be aggregated in the numerator, environmental impact reduction; however, different substances are not directly additive.

Ricoh uses weights to address this issue. These weights identify environmental impact by totaling and weighting various types of environmental impacts expressed in different units (CO2=1), and by calculating the converted quantity of emission reduction, by multiplying the environmental impact reduction by the conversion coefficients. In other words, this figure refers the degree of importance of environmental impact reduction converted into tonnes of CO2 reduction equivalents.

These values of coefficients are based on the Swedish Environmental Priority Strategies method (CEAPMS, 1999). Ricoh discloses these figures in their environmental accounts (see Table 2 “Converted quantity of reduction/ Environmental costs”). This figure shows that environmental cost efficiency has fallen as environmental activity has increased. This conversion coefficient is useful for comparison and assessment of the company’s overall performance in relation to environmental activity. However, in order to obtain comparable figures between different companies, standardization of the conversion coefficient process is needed.

Information about Physical Environmental impacts (Total CO2/ waste emission) are also shown in Table 2. For comparison, “Environmental impact (t) / Sales (yen)”, which eliminates the effect of business size on results, is also shown in Table 2. The Table shows that CO2 emissions per 1 billion yen for both companies are almost stable, but waste emission per 1 billion yen has improved dramatically over the past five years.

With the “Environmental benefit to total environmental impact ratio” (Reduction in volume of environmental impact / Total environmental impact), it was impossible to calculate the rate in a meaningful way because both of the companies have repeatedly expanded their data aggregation scope and reexamined their conversion factors in last five years. In Japan, 1999 is known as “the first year of environmental accounting”; since then companies have improved their environmental accounting data quality and scope.

For the evaluation of sustainable corporate environmental management, it is necessary to consider environmental impact information in combination with environmental cost and benefit information in a comprehensive way.

4. Analysis of Economic Benefit (Monetary Value)

Economic benefit, as represented in Table 3 (see p.14), is the benefit to company’s profits, measured in monetary terms, as a result of carrying out environmental conservation activities. This economic benefit is divided into substantial benefits and estimated benefits, depending on whether the data is confirmed. Substantial benefits are economic benefits calculated based on confirmed or verified data. Estimated benefits are expected economic
benefits calculated based on a number of assumptions.

Substantial benefits have an impact on corporate cash flow and consist of “revenues” and “expense savings.” “Revenue” results from environmental conservation activities which are actually shown on the company’s financial statements as revenue for the current period, such as income derived from the recycling of used products or waste generated by key business operations. “Expense saving” is the avoidance or prevention of expenses by conducting environmental conservation activities relative to those of previous years, such as expense savings through lower resource input, environmental impact/waste emissions reductions and environmental remediation activities.

In addition, environmental activities contribute to corporate profit in various ways which cannot be measured as substantial benefits. To illustrate, some companies, including Ricoh, calculate and disclose the estimated benefits “avoidance of risk” and “contribution to value-added production.” The benefit from “avoidance of risk,” for example in Ricoh, is calculated by multiplying the expected amount of damage by an occurrence coefficient and impact coefficient. The benefit of “contribution to value-added production” is the amount of contribution to company profits that expenditure on environmental conservation activities is estimated to have. For example, Ricoh calculated the “Environmental friendly product gross margin” multiplied by “Gross margin contribution rate calculated using environmentally aware points” as an estimated benefit.

When taking estimated benefits into consideration, the figures reveal that environmental conservation activities pay.

However, the estimated benefit contains elements of speculation and is less certain than the calculation of substantial benefit, and the estimation methods differ between companies. Hence, when analyzing estimated benefits, the company’s concept of estimated benefit and the way in which it is described in the environmental accounting section need to be considered. At this point, the estimated benefit remains useful only for time-series analysis of one company. It provides important data for internal management decision making purposes.

To analyze the efficiency of environmental activity, the following indicator can be used:

**Economic benefit to environmental costs ratio (%)**

\[ \text{Economic benefit to environmental costs ratio} = \frac{\text{Economic benefit (yen)}}{\text{Environmental costs (yen)}} \]

Table 3 shows environmental (substantial and estimated) benefits data and related indicators for both companies.

In Ricoh’s case, the “Economic benefit to environmental costs ratio” has been above one throughout the last five years. It means that the environmental activity has also contributed to Ricoh’s economic performance, if both substantial and estimated environmental benefits are considered. Moreover, as Ricoh’s “economic benefit to environmental costs ratio” have an upward trend, the cost effectiveness of Ricoh’s environmental activity has improved.

Social benefit is a benefit that is generated by expenditure on environmental
conservation activities for society rather than for the company. Canon calculates the “Economic benefit for the customer” (lower electric energy expense from reduced product energy consumption) as a social benefit. Ricoh calculates “Economic benefit for the customer” (reduction in user’s electricity expenses thanks to an improved energy saving function and product performance)” and “Economic benefit to society” (Reduction in society’s waste disposal cost)”, as a social benefit.

As both Canon and Ricoh belong to the same industry, the concept behind social benefits is similar, however the practice of social benefit calculation differs between companies and between industries. Therefore, by looking at the kind of benefits the company recognizes, the objectives and focus of the company’s environmental activity can be revealed.

5. Analysis of Environmental Impact (Monetary Value) - Social Cost

If environmental benefit and environmental impact can be converted from physical measures to monetary values, they can provide a new perspective for the analysis of corporate environmental activity. There are two ways permitted in the MOE Guideline for converting environmental impact information into monetary value: (a) damage cost; and (b) avoidance cost. Interpretation of the data will depend on the method of conversion adopted.

Firstly, the figure for environmental impact converted using the damage cost method represents the cost of the company’s activities to society. If two companies earn the same amount of profit and one incurs a greater amount of social costs than the other, the company is considered less desirable from the environmental standpoint. The following indicator can be used to show the company’s “Social net profit”:

Social net profit (yen)
= Net profit / Social costs *

*Converted environmental impacts using the damage cost method

This indicator shows the so-called “true profit” of the company gained by off setting social costs against net profit. The type of environmental impact included in pre-converted environmental impact data is to be noted and conversion unit values standardized to allow use of this data for inter-company comparison. However, opinion differs about which unit value is appropriate. In practice, different unit values are used. Hence, for comparative purposes, the converted amount and the conversion method both need to be disclosed.

Secondly, the figure for environmental impact converted using the avoidance cost method represents the measurement of the company’s social responsibility to be avoided. However, it is impractical to consider the presence of any business activity without there being some environmental impact, as a zero avoidance cost would mean shutdown of the business.

Moreover, calculation of the avoidance cost of environmental impact is dependent upon technical capabilities and increases as the environmental impact decreases. So the figures calculated using avoidance cost present many problems for the comparison of business performance, but they are useful for internal management decision making.

Ricoh disclosed the converted amounts of damage costs caused by environmental
impacts (social costs) since 2001. The data are shown in Table 4 (see p.14).

This converted value for environmental impact is obtained by multiplying total environmental impact by the damage cost coefficients. For example, Ricoh uses the factor of 108 Euro/t-CO2 of EPS Ver.2000 for its calculation (CEAPMS, 1999). The reason that Ricoh uses this method, as explained in the report, is that the amount “108 Euro/t-CO2” is almost the same as the marginal reduction cost calculated by Ricoh’s actual investment in CO2 reduction.

The environmental impact (social cost - monetary value) is useful for comparisons over time. “Social net profit” in Table 4 shows that Ricoh has reduced social costs and at the same time increased corporate net profit. This means that Ricoh has steadily improved its sustainability environmental management.

5. Conclusion

This paper examines several sustainable environmental management indicators and analyses their uses. To evaluate sustainable environmental management it is necessary to assess all of these indicators in a comprehensive manner. As indicated, specific indicators present problems of interpretation, as does a narrow focus on the comparison of environmental costs and benefits.

In addition, the analysis reveals a number of problems if the purpose is to compare corporate environmental accounting data. Three are summarised below:

- Differences in boundary definitions and in the methods for calculating environmental costs/benefits.

In Japan, most companies disclose their environmental accounting information based on the Environmental Accounting Guideline of the MOE (MOE, 2002), on the face of it making comparison easy. However, as the MOE Guideline does not provide rigid details of the cost-benefit analysis, aggregation scope or method of calculation, this means that the definition and method of calculation for environmental costs/benefits differs between companies. Moreover, as most companies have introduced environmental accounting over a number of years, they have expanded the scope of aggregation and added new items. Therefore, care has to be taken when trying to compare the performance of different companies, and when comparing past and current data and associated trends.

- Limitations of information about environmental benefits and environmental burden.

Most environmental benefits and environmental burden information provided are related to the production process. However, from a product life-cycle perspective, greater environmental burden tends to occur at the time of product usage and disposal. As environmental burden at the time of usage and disposal are locked-in at the time the product is designed, companies producing the products should be responsible for these environmental burdens. In practice, most environmental R&D costs are incurred to reduce environmental burdens imposed at the time of usage and disposal. However, it is difficult to capture these environmental burdens in the data because they depend on the way products are used and the duration of usage, thereby making it difficult to calculate environmental benefits attributable to environmental R&D activities.
- Lack of information about stocks.

The MOE Guideline provides for information about annual costs, burdens and benefits from environmental conservation activities, through flow information. Accumulations of environmental burdens (stock information) and resulting environmental liabilities (e.g. remediation liabilities from soil contamination) do not form part of the MOE framework.

Environmental accounting is a new and developing field and, as indicated above, there are many issues to be solved if the quality of data is improved. The demand for environmental accounting information is growing, for example, from the growing environmental ratings and eco-fund (environmental-friendly investment trusts) markets. Environmental accounting provides a rich information source providing stakeholders with relevant data that are not captured through conventional accounting, but until data quality is improved external parties seeking to use the information need to be well wary.

References


Table 1: Environmental costs and related ratios

<table>
<thead>
<tr>
<th>Figures and ratios</th>
<th>Company/Year</th>
<th>Canon</th>
<th>Ricoh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental investments (billion yen)</td>
<td>3.57</td>
<td>3.57</td>
<td>4.35</td>
</tr>
<tr>
<td>Environmental expenses (billion yen)</td>
<td>9.00</td>
<td>9.51</td>
<td>9.61</td>
</tr>
<tr>
<td>Total Environmental costs (billion yen)</td>
<td>12.57</td>
<td>13.08</td>
<td>13.96</td>
</tr>
<tr>
<td>Environmental R&amp;D costs (billion yen)</td>
<td>0.49</td>
<td>0.47</td>
<td>0.47</td>
</tr>
<tr>
<td>Sales (billion yen)</td>
<td>2530</td>
<td>2696</td>
<td>2907</td>
</tr>
<tr>
<td>Operating expenses (billion yen)</td>
<td>2562</td>
<td>2462</td>
<td>2625</td>
</tr>
<tr>
<td>Capital Investments (billion yen)</td>
<td>200</td>
<td>170</td>
<td>207</td>
</tr>
<tr>
<td>R&amp;D costs (billion yen)</td>
<td>177</td>
<td>194</td>
<td>218</td>
</tr>
<tr>
<td>Environmental cost to sales ratio (%)</td>
<td>0.50</td>
<td>0.49</td>
<td>0.48</td>
</tr>
<tr>
<td>Environmental expense ratio (%)</td>
<td>0.38</td>
<td>0.39</td>
<td>0.37</td>
</tr>
<tr>
<td>Environmental investment ratio (%)</td>
<td>1.78</td>
<td>2.09</td>
<td>2.10</td>
</tr>
<tr>
<td>Environmental R&amp;D cost ratio (%)</td>
<td>0.28</td>
<td>0.24</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Table 2: Environmental benefits (physical unit) and related ratios

<table>
<thead>
<tr>
<th>Figures and ratios</th>
<th>Company/Year</th>
<th>Canon</th>
<th>Ricoh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental benefit indicators</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2 reduction (t)*</td>
<td>-</td>
<td>-</td>
<td>21073</td>
</tr>
<tr>
<td>Waste reduction (t)*</td>
<td>-</td>
<td>83</td>
<td>280</td>
</tr>
<tr>
<td>CO2 reduction/Sales (t/billion yen)</td>
<td>-</td>
<td>7.2</td>
<td>12.1</td>
</tr>
<tr>
<td>Waste reduction/Sales (t/billion yen)</td>
<td>-</td>
<td>0.02</td>
<td>0.09</td>
</tr>
<tr>
<td>Converted quantity of reduction (t-CO2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Converted quantity of reduction/Environmental costs (t-CO2/billion yen)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Environmental impact indicators</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total CO2 emission (t)</td>
<td>564630</td>
<td>597951</td>
<td>606004</td>
</tr>
<tr>
<td>Total waste emission (t)</td>
<td>47124</td>
<td>44613</td>
<td>39168</td>
</tr>
<tr>
<td>CO2 emission/Sales (t/billion yen)</td>
<td>223</td>
<td>222</td>
<td>208</td>
</tr>
<tr>
<td>Waste emission /Sales (t/billion yen)</td>
<td>18.6</td>
<td>16.5</td>
<td>13.5</td>
</tr>
</tbody>
</table>

*The figures for CO2 and Waste reduction of Canon are only for domestic business in Japan, and do not include the figures incurred by business outside Japan.*
Table 3: Economic benefits (monetary value) and related ratios

<table>
<thead>
<tr>
<th>Figures and ratios</th>
<th>Company / Year</th>
<th>Canon</th>
<th>Ricoh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial economic benefits (billion yen)</td>
<td>1.86</td>
<td>1.81</td>
<td>2.23</td>
</tr>
<tr>
<td>Estimated economic benefits (billion yen)*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total economic benefits / Environmental costs (%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Social benefits (billion yen)</td>
<td>-</td>
<td>18.77</td>
<td>20.87</td>
</tr>
</tbody>
</table>

*Ricoh treated “Contribution to gross margin through environmental research and development” as “Expected effect” before 2001 and treats it as “Substantial effect” after 2002. However, in Table 3, to ensure consistency, the amount of “Contribution to gross margin through environmental research and development” is included in “Environmental estimated benefits” for the 5 years.

Table 4: Social costs and social net profit

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Company / Year</th>
<th>Ricoh</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
</tr>
<tr>
<td>Social costs (billion yen)</td>
<td>6.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Net profit (billion yen)</td>
<td>61.6</td>
<td>72.5</td>
</tr>
<tr>
<td>Social net profit (billion yen)</td>
<td>54.7</td>
<td>65.7</td>
</tr>
</tbody>
</table>

1 September 2005

IFRIC issues guidance on liabilities for waste management costs


IFRIC 6 clarifies when certain producers of electrical goods will need to recognize a liability for the cost of waste management relating to the decommissioning of waste electrical and electronic equipment (historical waste) supplied to private households. The IFRIC concluded that the event giving rise to the liability for costs of such historical waste, and so its recognition, is participation in the market during a
measurement period; ie, a period in which market shares are determined for the purposes of allocation waste management costs. The IFRIC decided that it is this date, rather than the date of production of the equipment, that is the triggering event for liability recognition.

CHINA: THE CHALLENGES OF ECONOMIC GROWTH AND ENVIRONMENTAL SUSTAINABILITY - CALL FOR CONTRIBUTIONS

Greenleaf Publishing invites contributions of broad empirical studies, case studies, and applied theoretical work for a Special Issue of Greener Management International on:

CHINA: THE CHALLENGES OF ECONOMIC GROWTH AND ENVIRONMENTAL SUSTAINABILITY

Purpose

The special issue of Greener Management International is intended to provide an overview of the interplay between China's enormous economic growth and the impact of that growth on its need for sustainability.

Projected Audience

The audience for the Special Issue, to be published in Autumn, 2006, is researchers and practitioners in the areas of economics, management, and environmental sustainability, government officials around the world interested in economic development and sustainability, environmental managers, developers and business leaders interested in China, and leaders of NGOs and international organizations related to these fields.

Rationale

The People's Republic of China (PRC) is in the process of growing from a staggering 1.3 billion to 2 billion inhabitants while its economy continues to grow at 9-10% a year, as it has for the last 25 years. No other country in the world is devouring as much foreign direct investment (FDI) as China. Every week, $1 billion flows into the country, which, in 2004, was the world's sixth largest economy. As China switches to a market economy, modernizes its inefficient, energy dependent and heavily polluting state-run industries, the country will face major challenges in providing increasing numbers of its citizens, in all parts of China, with a stable society, and an economy featuring adequate jobs, housing, food, and transportation. Of particular concern also are the 800 million rural poor who have been "left behind" and the 100-150 million underemployed migrants in China's cities. The challenge to China presents a classic case of poverty reduction through industrialization, with enormous tradeoffs between environmental destruction, increases in living standards, and long-term growth projections.

Unfortunately, China's economic trends exacerbate environmental destruction
through uncontrolled exploitation of natural resources. Expanding incomes increase demand for every kind of product and service. Consumers demand energy-dependent air conditioners, refrigerators, cars, and new houses. China's derived demand for oil (#2 importer in the world), steel (1/4 of the world's use), copper, coal (#1 producer and user in the world), and cement has affected global markets and production levels for these resources. Chinese companies around the world are purchasing timber, natural gas, phosphate deposits, oil fields, wood pulp, and mining companies.

China's energy use is enormous. In 2004, China consumed 12% of the world's energy, second only to the U.S. which consumed 25%. China imported 2.4 million barrels of oil per day in 2004, which is expected to increase to 8.4 million barrels by 2030. Even so, with increasing residential and industrial demands, China is now experiencing energy shortages and brownouts.

To compound these problems, China's steel, paper and chemical factories and power plants are inefficient. To produce $1 of GDP, China expends 3 times the world average of energy and 10 times the Japanese level. It expends 2 times the energy per ton of steel as Japan or Korea. Over 70% China's energy needs are met by burning dirty coal in aging coal fired furnaces. The coal produces carbon dioxide, sulfur dioxide, and nitrous oxide emissions, and, because of water shortages, is often unwashed.

With this inefficiency, industrial fuel consumption grew 1.5 times as fast as the economy in 2004. Massive industrial overcapacity, together with inefficiency, has led to strains on the banking system which had financed the industrial growth, resulting in nonperformance (estimated at four trillion yuan) on about 50% of the loans, or about 145%, of gross domestic product.

China has, without doubt, attempted to stem the environmental destruction caused by its economic growth. Thousands of polluting factories have been closed, population growth is controlled by a one-child per family policy, and national environmental standards and regulations have been adopted. New nuclear and massive hydroelectric facilities are under construction. International bodies such as the World Bank, the WTO, and the Asia Development Bank are increasingly involved in China's environmental efforts. Nevertheless, the costs to health, air quality, water quality and quantity and on the land itself from industrialization and economic growth are staggering, and raise serious questions about the environmental and social sustainability of this development trajectory.

China literally cannot afford to slow the growth of its economy, especially since a 1% decrease in GDP growth is estimated to result in an annual increase of 7 million unemployed. China needs to grow its economy to generate funds to update and retrofit its technologies and aging plants, to create jobs to absorb the urban unemployed, to provide stronger urban infrastructures, institute banking reforms, and provide for an aging population.

Policies are in place with regard to environmental impact statements, industrial relocation (particularly in Beijing in anticipation for the Summer Olympics), waste regulations, equipment standards, and emission limits. The problem is that the national regulatory agency - SEPA - is under-funded; there is little enforcement of existing regulations and few or no penalties.
for breaking those regulations. Plus there are conflicts of interest between the local governments who are supposed to enforce the regulations and the factories they still own that they're supposed to regulate because jobs continue to be a high priority of these local governments.

Further solutions to China's problems could include a move to cleaner energy sources, stronger, more predictable enforcement, pricing reform to encourage energy and water conservation, and increased governmental funding of environmental reform efforts.

With over one-quarter of the earth's population and with its rapid industrialization, China appears to hold the future of the global environment. The unique challenge then will be to enable both China's economic development and its adoption of sustainable development. The answers to this challenge are the focus of the Special Issue.

Coverage
The following are some, but definitely not all, of the areas that could be covered in submissions for the Special Issue. Submissions can include broad empirical studies, case studies, and applied theoretical work.

- The impacts of economic development on China's environment: At what rate will China continue to grow? Can the impact of that growth be managed or diminished, and what are the prospects for doing so?
- An assessment of what is needed to improve environmental management in China's industry and/or government.
- An assessment of the impact on the environment should China allow its yuan to float.
- An assessment of what can international groups do to impact China's economy.
- The impacts of foreign direct investment - Asian, US, and European - on China's environment and on its regulations and enforcement.
- Lessons to be learned from China's growth-oriented development model and its environmental sustainability as a template for other fast developing countries.
- A conceptual framework for the interface between economic development and sustainability in China.
- Case studies of Chinese companies endeavoring to implement environmental management practices.
- Government attitudes toward sustainability.
- Consumer attitudes to environmental problems.
- Environmental impact studies by and across industrial sectors.
- The status of China's environment - current challenges.
- Barriers to sustainability in China.
- Government policies and what else is needed to promote sustainability in China's cities and industries.
- The actions being taken to alleviate the problems of dirty coal as a primary source of energy.
- Opportunities for cleaner production.
- Opportunities for environmental management consultancy services in China.
- NGO activity in China's environment.
- Effective promotion of sustainability concepts in China.
Proposed Contribution Schedule

Abstracts - To express initial interest in contributing to this Special Issue, abstracts should be sent to both co-editors by email (details below). Abstracts should be a maximum of 300 words. Those whose submissions are accepted will be asked to submit full papers.

Full Papers - Full papers will be invited from among the abstracts. Paper submissions should be between 4000 and 6000 words (for theoretical papers and empirical studies) and between 2500 and 4000 words (for case studies) and should follow the editorial guidelines of GMI (www.greenleaf-publishing.com).

Final Selection - The final selection of papers that will appear in the Special Issue will be from among the full papers submitted. Revisions may be requested of the final selection.

Schedule
1/10/05 - Deadline for abstract submissions (special deadline for APCEA members)
15/11/05 - Notification by coeditors to prepare full papers
15/1/06 - Deadline for full paper submissions
15/2/06 - Notification of final acceptance for Special Issue - directions for revision
15/4/06 - Deadline for revised final paper submissions Autumn 2006 - Publication of Special Issue

COEDITORS CONTACT INFORMATION

Betty J. Diener
Andreas School of Business
Barry University
11300 NE 2nd Avenue
Miami Shores, Fla. 33161-6695
USA
Fax: 305-751-4561
bdiener@mail.barry.edu

Anna Lee Rowe
Senior Lecturer/Course Controller
Graduate School of Business
Curtin University of Technology
GPO Box U1987
Perth 6845
WESTERN AUSTRALIA
Fax: +61 (08) 9266-3368
anna.rowe@gsb.curtin.edu.au

CALL FOR PAPERS:
SPECIAL ISSUE OF AAAJ

Special Issue of Accounting, Auditing and Accountability Journal

"Engagement: ethical, social and environmental accounting and accountability from the inside"

AAAJ provides a forum for contributions concerning the interactions between accounting, accountability and auditing and their socio-economic and political environments with an international, national
or organisation specific analysis taking a single, multi- or inter-disciplinary perspective (see AAAJ’s editorial objectives).

Research themes and perspectives on ethical, social and environmental accounting and accountability have expanded in recent years. There is a renewed interest in academic engagement in processes of ethical, social and environmental accounting and accountability. Much of the prior and current research in this field has been conducted from outside organisations, bringing about confusion in the literature as to an appropriate theoretical framework.

Recent calls for social accountants to focus their research inside organisations and on their engagement experiences have brought about an increasing awareness of the links between ethical, social and environmental accounting and accountability and the rest of the organisational processes. In calling for papers in this special issue, we also adopt this stand. More specifically, this special issue focuses on ethical, social and environmental accounting and accountability at the level of the organisation and its impacts on, and interactions with, other organisational processes, organisational structures and other aspects of organisational behaviour, as well as with organisational dynamics. Adams (2002), Larrinaga-Gonzalez et al. (2001) and O’Dwyer (2002, 2003) published in AAAJ adopt this approach. Submissions are sought which study any aspects of these links from within companies, public sector organisations, NGO’s and other types of organisations.

The argument is often made that engagement risks under-theorisation and corporate capture. Acknowledging this, but echoing calls for avoiding inaction, we propose that there is a compelling need for papers that continue developing qualitative methodologies and that make a robust use of it in studies of ethical, social and environmental accounting and accountability from the inside. Studies are also needed addressing issues of institutionalisation and managerial capture of these themes.

In this special issue, we welcome contributions using a variety of qualitative research methods, including case studies, ethnographic studies, action research and grounded theory.

Themes of importance, which may be explored include, but are not limited to, the following themes in relation to ethical, social and environmental accounting and accountability:

- Research methods for engagement.
- Theorisation of engagement, change, institutionalisation and managerial capture.
- Qualitative studies addressing the links between ethical, social and environmental accounting and/or accountability and: organisational processes, structures, behaviour and dynamics, including strategic decision making; risk management; reputation management; corporate governance; stakeholder engagement; performance measurement; internal control; work conditions and employment practices; environmental performance; impact on communities; corporate rhetoric; reporting processes and organisational culture and behaviour.
- The impact of national culture on the links between ethical, social and environmental accounting and/or
accountability and organisational functions and organisational behaviour.

Papers for this special issue should be submitted in a Word file electronically by email to both of the guest editors by the submission deadline of 31st December 2005. In submitting their papers, authors are asked to follow Accounting, Auditing and Accountability Journal author guidelines. All papers will be subject to review in accordance with AAAJ’s normal process. Authors may contact the guest editors in advance on any matters on which they require clarification or further guidance.

Guest editors:

Carol Adams: carol.adams@deakin.edu.au
and
Carlos Larrinaga: carlos.larrinaga@ubu.es

References:


---

Green News is good news

28 September 2005

News Limited chief executive officer, Mr John Hartigan, today announced the launch of the company’s environment policy and website www.environment.news.com.au

Mr Hartigan said the new policy was a natural progression of News Limited’s long-standing commitment to minimise damage to the environment.

“As Australia’s largest newspaper publisher, News Limited has led the way in recycling and other initiatives and helped bring about changes in attitudes and behaviour among its suppliers and the broader industry,” said Mr Hartigan.

News Limited was instrumental in establishing the Publishers National Environment Bureau in 1990 which has been a strong supporter of newspaper recycling. Australia is now the world leader
in recycling old newspapers with a recycling rate of 73.5 per cent on latest figures (2003), up from 28 per cent at the start of 1990.

All Australian-made newsprint contains 20 – 55 per cent recycled fibre and uses no old growth Australian timber. Newspaper inks are safe, using no heavy metals. The inks use a component of vegetable oil, which is produced by sustainable agriculture rather than sources of fossil reserves.

All of News Limited’s print centres have been designed with technology that allows recycling of solvents and on-press waste and reduces photo chemical usage by up to 85 per cent.

When News Limited’s Environmental Secretariat was set up in 1990, there were no reliable statistics available on newspaper recycling in Australia. The Secretariat now supplies governments, industry, the conservation movement and the public with accurate statistics on the recycling of old newspapers.

In 1991, News Limited was one of the first of Australia’s major companies to establish a national program of environmental auditing through its Environment Management System. Its reporting criteria covers compliance with existing legislation, being one step ahead of future trends and dealing with housekeeping issues to raise the level of environmental care.

News Limited also has a “green buildings” programme. For example, the new home of Advertiser Newspapers Pty Ltd in Adelaide, a five-storey glass-covered office tower, is being built with a “green star rating” – it will minimise water and energy-use and emit less CO2.

Mr Hartigan said the new environment policy will help set new targets for further reductions in energy consumption and further increases in recycling as well as raising awareness among staff.

The policy covers all employees and contractors.

“Our focus is on reducing water usage, energy consumption and greenhouse gas emissions and there is continuing scope for recycling more materials”, said Mr Hartigan.

**News Limited environment policy:**

News Limited is committed to ensure:

- It will endeavour to comply with all applicable environmental laws and, where practical, strive to go beyond the strict reading of environmental regulations.
- As an environmentally responsible corporate citizen, it will strive to conduct operations to minimise environmental impacts, reduce waste and advance recycling.
- It will continue to review operations with the aim of improving environmental performance.

*Released by News Limited Corporate Affairs*
*For more details contact*
*Janet Fife-Yeomans*
*Manager corporate affairs*
*02 9288 3288*
AGSM awarded funding for sustainability initiatives
09 May 2005

AGSM has been awarded funding by the Federal Department of Environment and Heritage to incorporate sustainability initiatives across the MBA curriculum.

AGSM Professor Murali Chandrashekar and Professor Robert Marks, who are spearheading the mainstreaming of sustainability initiatives said, "we are motivated by the need to instil in our students a sense of responsibility about the world we leave behind for future generations. Sustainability should be an essential part of the integrated nature of MBA education and not merely an elective.

"Marketplace realities indicate that sustainability is not a 'fad'. Financial indices such as the FTSE and the Dow Jones Sustainability Index are now giving importance to sustainability initiatives of organisations. Research indicates that companies on these lists outperform those not included," says Professor Chandrashekar.

AGSM will use the funding to:

- Mainstream sustainability by rewriting teaching materials.
- Increase emphasis on sustainability in the Finance, Corporate Social Responsibility and Ethics programs.
- Develop sustainability management programs involving corporates.
- Link students with firms that demonstrate a commitment to sustainability.
- Arrange student field trips to companies in Asia. Students will participate in management projects in these companies.

The sustainability agenda is gaining significant ground in the business and industry sector internationally, although in Australia this is happening at a slower pace. The lack of opportunities across Australia to build capacity for sustainability has only resulted in limited reorientation of business strategy and practice.

In practice, most environmental education programs educate about sustainability. However, education for sustainability goes beyond dissemination of knowledge, seeking also to empower people and build their capacity to take action. Through teamwork, stakeholder dialogue and decision-making, people can learn from each other as they consider desired futures and alternative options for getting there.

When combined, education about sustainability and education for sustainability provide students with not just the knowledge and understanding to engage in sustainability issues, but also the skills and capacity to plan, motivate and manage change towards sustainability within organisations or industries.

The AGSM initiatives are part of the MBA project being coordinated by the Australian Research Institute in Education for Sustainability (ARIES) based at Macquarie University.

*For further information about the ARIES MBA Project: [http://www.aries.mq.edu.au](http://www.aries.mq.edu.au)*
New Australian Energy Regulator (AER) - Advertisement

By way of introduction, I work for DKC International - a conference and event management business specialising in providing opportunities for people to discuss key issues in our economy and society.

Given the considerable interest in the establishment of the new Australian Energy Regulator (AER), and the recent appointment of Steven Edwell as its chairman, DKC International is planning a lunch time seminar in Sydney in July or August of 2005 (pending confirmation from Mr Edwell once he has taken up the position of chair later this month).

This seminar will give key stakeholders from regulated energy businesses, the finance and infrastructure sectors an opportunity to hear about future directions in the regulation of energy distribution and transmission services.

My enquiry is in regard to in-kind support from RegNet by way of promoting the seminar amongst your members via an email alert or flyer (provided by DKC International)

I understand that you receive numerous requests of this nature, but hope that you will view this one favourably.

Should you require any additional information, please don’t hesitate in contacting me at the details below. Alternately could you please provide me with the contact details of the member of staff that I should direct my enquiry to.

Corinne Kemp
Managing Director, DKC International
PO Box 377, Balmain NSW 2041
P: 02 9810 7325

F: 02 9810 7326
E: corinne@dkcinternational.com.au

University of Sydney and CPA Australia to define future framework for sustainability reporting

5 July 2005

A partnership between the University of Sydney and CPA Australia, has successfully obtained funding under the Commonwealth Government’s Australian Research Council Linkage Projects to develop a framework for managing and reporting non-financial information.

The three year, million dollar project is an essential step towards improved public confidence in sustainability management and reporting by companies, as well as public and not-for-profit sector organisations.

CPA Australia President Mr Mark Coughlin believes the broad area of corporate social responsibility, triple bottom line (TBL) reporting and sustainability is an important new frontier for the accounting profession, and CPA Australia is leading the way.

'Companies that make the effort to report against a wider range of business performance indicators should be rewarded for their disclosure, but in the current environment and without a consistent approach these efforts are constantly undermined and often sidelined as self serving,' said Mr Coughlin.

The three year project is intended to address these current shortcomings to give greater
guidance to business along with valued and credible information for stakeholders.

**Opportunity for all CPAs**

As the business partner, CPA Australia has an important role to play in enhancing the practical application of any proposals coming out of the research project.

'Our partnership enables the researchers to tap into the intellectual capital and practical experience of more than 105,000 finance, accounting and business professionals; from company director to report preparers and from right across the private, public and not-for-profit sectors,' said Mr Coughlin indicating that CPA Australia’s growing overseas membership is also an important resource.

'There is a global trend towards a wider concept of corporate accountability. Developing an effective non-financial reporting framework is essential to ensuring we are best positioned to attract future investment - that means jobs and growth for the Australian economy,' said Mr Coughlin.

The project will assist professional and government regulators as well as many private and public sector organisations to better understand how the principles of sustainability reporting can be integrated and applied in a formal planning, risk management and decision making context.

**CSR on the Political Agenda**

The project will also ease the burden on business and government by developing a rigorous framework for classifying, measuring and reporting various forms of sustainability information, and gets underway as the debate surrounding the future of sustainability reporting in Australia heats up.

This year two inquiries will consider the issues of corporate accountability and whether this should be extended to a wider set of corporate and social responsibility benchmarks. The Parliamentary Joint Committee on Corporations and Financial Services (PJCCFS) inquiry into corporate responsibility announced last week will focus on directors and other officers responsibilities, but is explicitly asked to consider the appropriateness of reporting requirements and the need for regulatory, legislative and other policy approaches.

Later this year the Corporations and Markets Advisory Committee (CAMAC) has indicated it will release a discussion paper on, amongst other matters:

- the potential extension of directors’ duties to include CSR obligations
- encouraging Australian business to adopt environmental responsible practices
- requiring companies to report on social and environmental impact.

CPA Australia anticipates significant political and business interest arising from two inquiries, but believes it is well placed to help shape the potential outcomes to ensure an appropriate balance between public and business interests.

'Our success in attracting Government funding for the development of a non-financial reporting framework is clear evidence of the community interest in more effective corporate accountability that extends across a much wider set of benchmarks,' said Mr Coughlin.

**Delivering Better Outcomes for Community, Business and CPAs**
However there is a risk that regulation at this point would in many ways be putting the cart before the horse.

'We fully support effective regulation, but without the ability to objectively assess compliance, enforcing accountability becomes a burden for business and regulators and at the same time fails to deliver community satisfaction,' said Mr Coughlin.

And for this reason CPA Australia and the University of Sydney agree that the 3 year project had important and ambitious expectations. Source: CPA Australia

http://www.cpaaustralia.com.au

**Sustainability Reporting, Practices, Performance and Potential.**

In July, CPA Australia released a commissioned research project on Sustainability Reporting. The report was written by Stewart Jones, Geoff Frost, Janice Loftus and Sandra van der Laan, all from the University of Sydney.

Sustainability Reporting investigates current Australian sustainability (Triple Bottom Line) reporting practices of reporting entities within the private and public sectors. Within the private sector, only 24 discrete reports dealing with sustainability issues were identified from the top 500 listed corporations. Within those corporations' annual reports, the researchers found considerable diversity in the scope and form of sustainability reporting practices. Not surprisingly, most of the reported information was positive.

Within the public sector, the researchers examined disclosures in the annual reports of commonwealth and state water and energy business enterprises, as well as “state of the environment” reports issued by local governments. Results were mixed.

The paucity, both in scope and diversity, of sustainability and TBL reporting practices provides challenges to the accounting profession and policy makers to develop more accessible approaches and guidelines.

Corporate Social Responsibility – a Case Study Guide for Management Accountants

Gweneth Norris (University of South Australia) and John Innes (University of Dundee)

Published by Elsevier and CIMA, 2005 ISBN 0 7506 6660 9, pp. 112.

This publication is based on critical insight gained by analysing four large companies' experiences of corporate social responsibility. It highlights the inadequacies of social and ethical reporting by business, both in terms of the ad hoc nature of the information currently reported and the absence of internal reporting. It will serve as evidence to companies that producing a glossy report does not necessarily equal social responsibility (for details see http://www.cimaglobal.com).

Contents are as follows:

Chapter 1 - Introduction and Objectives;
Chapter 2 - Literature Review;
Chapter 3 - Case Study A, an international retail company;
Chapter 4 - Case Study B, a large organisation in the financial services sector;

Chapter 5 - Case Study C, a large international organisation in the financial services sector;

Chapter 6 - Case Study D, a large organisation in the financial services sector;

Chapter 7 - Cross-case analysis, based on the objectives of the introduction;

Chapter 8 – Conclusions.

The publication:

- Explores the problems faced by firms seeking to develop their own social performance strategies;
- Explores corporate governance issues; and
- Offers a grounded theory approach, involving full taping and transcribing of all interviews.

The research for this publication was funded by CIMA. The four case studies were selected on the basis of their extensive external social reporting but, even in such organisations, managers received very little social performance information. Social performance had slightly different meanings for different interviewees but the following common aspects emerged:

1. Community involvement including:
   a) employees participating in community projects
b) educational liaison including employees giving talks in schools, courses for school projects and teacher placements
c) community support including sponsorship
d) development of disadvantaged communities in developing countries into mainstream suppliers.

2. Environmental aspect including:
   a) environmental sustainability
   b) reduction in energy usage
   c) recycling materials
   d) environmental management courses for customers.

3. Employees including:
   a) ‘treating employees right’
   b) feedback on managers from their subordinates
   c) employee morale index.

4. Suppliers including:
   a) ethical trading policy (including paying suppliers on time)
   b) developing long-term relationships with suppliers
   c) how suppliers treat their own employees and suppliers
   d) suppliers’ environmental impact.

In three of the four cases, interviewees generally ignored or did not know about their own organisation’s externally reported social performance measures. One reason for this was that a small unit (divorced from the operational managers and management accountants in the organisation) reported these social performance measures. However, all four organisations had their explicit values such as effect on society, concern for the individual, concern for the environment, ethical behaviour, trust and integrity. The four case studies include many examples where the social values of the organisation had influenced managerial decision-making.

One finding was that the internally reported social performance measures were much less developed than the externally reported social performance measures. Only in one case were the internally reported social performance measures linked to those published in the externally reported social report. The internally reported social performance measures included the following:

1. In relation to community involvement:
   a) number of staff secondments
   b) charitable amount raised by staff
   c) number of employee hours per week on community projects.

2. In relation to employees:
   a) employee morale index
   b) employees’ perceptions of job security
   c) index of job offering feeling of personal accomplishment

3. In relation to the environment:
   a) level on emissions
   b) water used
   c) volume of waste produced and amount recycled

4. In relation to suppliers:
   a) employees have proper written contracts
   b) factories have proper licences from the government
   c) impact on the environment.

The findings of this research project suggest ten recommendations to consider if you wish to implement internal social performance reporting including the following:
1. Develop logical links between your organisation’s mission statement/objectives and your internally reported social performance measures.
2. If your organisation has an external social report, develop explicit links between the externally and internally reported social performance measures.
3. If your organisation does not have an external social report, consider developing first internal social performance measures and reports.
4. Develop internal social performance measures for each of your organisation’s stakeholder groups.
5. Check that the internally reported social performance measures include both input and outcome measures.
6. Develop a formal system for internal monitoring and management of social performance.

It is important to remember that, although the internally reported social performance measures are important, so also are the organisation’s culture and social values that affect social performance – often through informal employee group control and employee self-control. The interviewees considered that the increased organisational costs caused in the short run by improved social performance would be more than offset by the long run benefits for the organisation. External social reporting is important but so is internal management information on social performance. In the final analysis it is the strategic and operating decisions of managers and other employees that determine the social performance of an organisation.
Oh Mother Earth

Oh Mother Earth,
we have been reading too many magazines
and have tried to shape you into
our image of the perfect woman.
An image that man created
so that all women would know
what was expected of them.
We expected no less of you.

We have cut down the abundant rainforests
that were like leeches
and created plains for cattle to breed.
We built hard-edged cities on soft-rambling fields –
sprawling suburb sub-cultures over mottled hills.
We dressed you in bitumen lace to speed only
ourselves,
We dug into your skin and removed minerals and oils
that could’ve lead to a bad case of acne.
We shaped you into a tough woman,
a man’s woman,
trim and lean and built – not created.
Not life-giving and round as you once were.

But we failed!

You are no woman, Mother Earth,
you are a wheezing old man,
choking on the fumes of our vehicles
your waters are stagnant and yellow,
you lose breath with every year.
You have open sores –
Mexico City, New York, Sydney
and more,
And you cannot resist our changes,
giving in to the life-robbing changes,
and not trying to change us.

Oh Mother Earth,
we have been reading too many magazines
on our own perception of beauty,
and not enough books on gardening
or home maintenance.

Simon Lenthen,
Associate Lecturer
School of Accounting
University of Western Sydney