Sustainability Reporting

Topics

• Section A: The context of sustainability reporting and environmental accounting
• Section B: The Role of Accountants and sustainability reporting Frameworks
• Section C: Overview of GRI and G3 Sustainability Reporting Framework
• Section D: Business Case for Sustainability Reporting
• Closing Remarks
Introduction

But why should we be considering sustainability reporting in Zimbabwe now?

‘How can we be practising Karate when the rest of the world is playing cricket’
Sustainability Reporting

Section A: Context of Sustainability Reporting and Environmental Accounting

• ‘Sustainability Reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance while working towards the goal of sustainable development’ - The Global Reporting Initiatives (GRI)

• ‘Sustainable Development is defined as development that meet the need of the present without compromising the ability of future generation to meet their own needs’ - World Commission on Environment and Development (WCED)
## Sustainability Reporting

### 1. Brief Dimension of Environmental Accounting and Disclosure in Zimbabwe

<table>
<thead>
<tr>
<th>Societal Expectation Model</th>
<th>Companies Disclosure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Chairman’s Statement</td>
<td>11</td>
<td>14%</td>
</tr>
<tr>
<td>2. Director Statement &amp; C. Governance</td>
<td>24</td>
<td>30%</td>
</tr>
<tr>
<td>3. Accounting policy</td>
<td>7</td>
<td>9%</td>
</tr>
<tr>
<td>4. Financial Statements</td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>5. Notes to the Financial Statements</td>
<td>4</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Ndamba 2009

### 2. GRI Report Database 2010

**Africa Reports**

- South Africa: 1636
- Nigeria: 1
- Egypt: 1
- Zimbabwe: 0

10 June 2011
Sustainability Reporting

Framework of Environmental Accounting

Environmental Accounting

- Financial Environmental Accounting
- Environmental Management Accounting
- Financial Environmental Auditing
1. Financial Environmental Accounting

- Involves measuring, recording and reporting of financial information relating to environment using International Financial Reporting Standards,

2. Environmental Management Accounting

- Involves environmental cost management, eco-budgeting, life cycle accounting, full cost accounting and strategic planning for environmental management.

3. Financial Environmental Auditing

- Involves the assurance of financial information relating to environment using International Standards of Auditing
Sustainability Reporting

Financial Reporting Standards for environmental accounting

- IAS 37, Provisions, Contingent liabilities and Assets - Provisions;
- IAS 8, Accounting policies, changes in accounting estimates and errors;
- IAS 16, Property, plant and equipment – Capitalization of dismantling and environmental restoration costs in assets
- IAS 18, Revenue – Sales of waste material in disposal processes
- IAS 36, Impairment of assets – New technology that reduce environmental damage
- IFRIC 1, Changes in existing decommissioning, restoration and similar liabilities; Highlights changes in measurement or estimates of existing costs;
- IFRIC 5, Rights to interest arising from decommission, restoration and environmental rehabilitation funds; Where rehabilitation funds is set for contribution. Could be based on industrial sector.
- IFRIC 6, Liabilities arising from participating in a specific market, waste electrical and electronic equipment; Disposal of waste – EU Directive
Sustainability Reporting

- **Auditing and Assurance standards relating to Sustainability**

- **IAPS 1010** – The Consideration of Environmental matters in the audit of financial statements;
- **ISA 620** – Using the work of an Auditor’s expert;
- **ISA 250** – Consideration of laws and regulations in the audit of financial statements;
- **ISA 540** – Auditing accounting estimates
- **ISAE3000** – Assurance Engagements other than audits
- **ISAE3410** – Assurance Engagement on Greenhouse Gas statements
Sustainability Reporting

• Brief Discussion

• So where do we stand as the accounting profession in Zimbabwe?

• Do we have a role in this?
Sustainability Reporting

Section B: The Role of Accountants & Sustainability Reporting

• Modify and develop current accounting systems to include sustainability issues on reporting to management;

• To include the sustainability agenda in financial planning, i.e. Green or Eco- Budgeting and capital investment appraisal,

• To introduce sustainability issues in our performance measures in external reporting (Annual reports)
Sustainability Reporting

• **Drivers of Sustainability Reporting**

• **Corporate Governance codes** – King III (S.Africa)

• **Stock Markets** – JSE (SRI), Dow Jones (DJSI), LSE (FT4Good), Singapore Stock Market

• **Investors and stakeholders** – UN Global Compact, UNEPFI & Markets, WBCSD

• **Legislations and policies** – Companies Acts (SA, Mauritius)
Sustainability Reporting

Stock Markets

“Increasingly global companies understand that a commitment to sustainability reporting can contribute to financial success. Such transparency allows companies to reach a broader range of investors and customers, enhance operational efficiency, improve brand positioning, and develop leadership in the marketplace”.

Social Investment Research Analysts Network (SIRAN) and Social Investments Network (SIN) (2008)

‘The vision for sustainability reporting has never been more urgent for firms that seek to create value while transforming their sustainability impacts”

- James Farrar, Vice President Sustainability, SAP (2010)
Key Features of Sustainability Indexes:

- **SRI** – Meant to serve as a vehicle for responsible investments for investors looking for non-financial risk. Also meant to promote the development of responsible business practices. Criteria: Environment, Social and Governance (ESG)

- **DJSI** – Was established to track the performance of companies that lead the field in terms of corporate sustainability. Criteria: Environment, Social and Economic (ESG)

- **FTSE4Good** – Was designed to act as a tool for investors who are interested in evaluating and investing in companies with good track records of corporate sustainability. Criteria: Environmental Management, Climatic change mitigation and adaptation, Countering bribe, Upholding Human rights and Labour rights,
Sustainability Reporting

Sustainability Reporting Frameworks

- Global Reporting Initiative (GRI)
- IFAC Sustainability Framework
- Integrated Reporting
Sustainability Reporting

Features in Sustainability Reporting Frameworks

- **Global Reporting Initiative (GRI)’s 3G** — Economic, Environment, Social, Labour practice, Human rights, Society & Product responsibility

- **IFAC Sustainability Framework** — Economic viability, Social responsibility & environmental responsibility – Role of accountants

- **Integrated or Connected Reporting System (Prince Charles Project)** — Business strategy and sustainability, Key Performance Indicators (KPI) and action taken, The connected Performance report

- **AA1000 AccountAbility Principles** — Inclusivity, Materiality and Responsiveness – towards an organization’s performance
Who is the Global Reporting Initiatives (GRI)

‘The Global Reporting Initiative (GRI) is a network-based organization that pioneered the world’s most widely used sustainability reporting framework’.

‘GRI is committed to the Framework’s continuous improvement and application worldwide’.

‘GRI’s core goals include the mainstreaming of disclosure on environmental, social and governance performance’.
What is GRI’s core goal and function processes?

- GRI’s core goals include the mainstreaming of disclosure on environmental, social and governance performance.

How is the framework developed?

- GRI's Reporting Framework is developed through a consensus-seeking, multi-stakeholder process.
- Participants are drawn from global business, civil society, labour, academic and professional institutions.
Sustainability Reporting

• **What is contained in the GRI Framework?**

  The Reporting Framework sets out the Principles, Profile Disclosure, Disclosure on Management Approach (DMA) and Performance Indicators that organizations can use to measure and report their economic, environmental, and social performance.

• **What is covered in a GRI Framework – G3**

  Economic, Environment, Social, Labor practice, Human rights, Labour Practice, Descent work, Society & Product responsibility

• **Updated G3.1**

• **Include Gender, Human Rights, Communities**
Sustainability Reporting

• Brief Discussions

• Example of complete GRI Report
  • Implats
  • Novo
  • Tongaat

• GRI Indicators
Sustainability Reporting

• **Steps in Preparing a GRI Report**

1. **Prepare** – This step is aims to promote internal discussion at management level to identify positive and negative economic, environmental and social impact

2. **Connect** – This part seeks stakeholder input of material issues to be included in the final report

3. **Define** – This part confirms stakeholder input and management aspects are really material

4. **Monitor** – This part is the gathering of data that goes in the final report

5. **Communicate** – This part involve preparation and writing of final report.
Sustainability Reporting

- **GRI Report Application Levels:**

- **Level C, C+** – Report on 10 indicators

- **Level B, B+** - Report fully on a minimum of 20 indicators

- **Level A, A+** - Report on each core indicator and sector supplement

- Levels denoted ‘+’ must have been independently checked or audited. A GRI is granted once report is accepted.
Sustainability Reporting

Section D: Business Case for Preparing Sustainability Reports

(a) Help Develop vision and strategy
(b) Improve management system, improve internal processes and set goals
(c) Identifies weakness and strengths
(d) Attract and retain employees
(e) Connect department and encourages innovation
(f) Raises awareness with the Board
(g) Achieve competitive advantage and leadership
(h) Attract investors
(i) Enhance reputation, achieve trust and respect
(j) Demonstrate commitment to sustainability
Closing Remarks

*Businesses need to ‘balance today’s profits with tomorrow’s sustainability’*

*We need to consider the history we are leaving for the next generation as ‘Transient Caretakers’ on planet Earth*

*Thank you!*