CAPA Conference Osaka October 2007
Abstract of Presentation
(Maria Fatima Reyes)

Abstract for CAPA session on

ENVIRONMENTAL ACCOUNTING, CSR DISCLOSURES AND ASSURANCE

Beyond the Glossy Report: Environmental and CSR Disclosures and Assurance

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The publications of the United Nation's Division for Sustainable Development's "Procedures and Principles on Environmental Management Accounting" and the International Federation of Accountants' "International Guidance on Environmental Management Accounting" provided organizations practical means for measuring and reporting environmental investments, costs, and expenditures of business operations. This presentation will showcase annual environmental accounting reports of real companies and will include discussions about the benefits of tracking and reporting environmental revenues and expenditures on a routine basis together with the issues encountered in environmental cost assessment process.

Environment-related monetary and non-monetary information are among the performance indicators disclosed in Corporate Social Responsibility (CSR) reports. CSR disclosures comprise of financial and non-financial information that communicates the ability of an enterprise to generate business value through the management of its social and environmental risks and opportunities. Also known as Triple Bottom Line Reports or Sustainability Reports, CSR Reports are increasingly prepared on a stand-alone format as more investors and financiers demand detailed information about a company's economic, environmental and social performance. Transparency about the sustainability of organizational activities is also important to a more diverse range of stakeholders, including labor, non-government organizations, customers, suppliers, the media, and others. Traditionally focused on philanthropic work, CSR today encompasses an organization's water and energy use, biodiversity-related policies, customer privacy practices, and human rights training programs, among others.

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The most widely accepted and applied CSR reporting regulations are those of the Global Reporting Initiative (GRI) which issued its first comprehensive reporting guidelines in 2002 and G3 Reporting Framework in October 2006. By July 2007, thousands of international companies had registered with the GRI and issued corporate sustainability reports using its guidelines. The Global Reporting Initiative (GRI) supports a multi-stakeholder process for generating widely accepted framework and guidelines on reporting CSR performance. With a vision of making sustainability reporting as routine and comparable as financial accounting, GRI develops a sustainability framework rooted in principles similar to that of financial reporting.

This presentation will discuss CSR reporting with focus on CSR disclosures as information imbedded within pages of annual reports and CSR disclosures in separate Corporate Sustainability Reports. Issues that present particular challenges to first time corporate sustainability reporters such as engagement with stakeholders in the matter of report content and performance indicators selection, determination of reporting boundary, and the need to plan towards externally-validated CSR reports will be expounded on in this session.

CAPA Conference Osaka October 2007
Abstract of Presentation
(Takeshi Mizuguchi)

The Role of Accounting Professions toward Developing the Sustainable Low-Carbon Society — Focus on Climate Risks Disclosure in Japan

Dr. Takeshi Mizuguchi
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Intergovernmental Panel on Climate Change (IPCC) has published its 4th assessment report and concluded that 'most of the observed increase in global average temperatures since the mid-20th century is very likely due to the observed increase in anthropogenic greenhouse gas concentrations.' This means that the size of human activities has grown so big that it now surpasses the environmental limit of the earth. Although we are easy to think that the earth is infinite, the reality is that we are living in the closed and limited world like a spaceship. Therefore we have to change our economic system to suite to the limit of the earth. The low carbon society is one of our common goals which we should reach.

Economic system is influenced by the investment behaviors of various investors and their investment decisions are supported by corporate disclosure. In this sense accounting professions can contribute to achieving the low carbon society through stimulating discussions about the improvement of social and environmental disclosure including the information about climate risks. In this presentation I will show what the Japanese Institute of Certified Public Accountants (JICPA) has been doing in this area, and discuss the possible direction of climate risks disclosure.

(1) In Japan more than 800 companies are voluntarily publishing environmental reports or CSR reports, most of which are prepared in reference with the sustainability reporting guidelines issued by the GRI or environmental reporting guidelines issued by Ministry of Environment (MOE). However the discussion about key performance indicators (KPIs) for CSR reporting from the view point of Japanese own circumstances is still on the early stage. JICPA's Management Advisory Service Research Committee (MASRC) conducted the study on this matter, whose result is published as Research Report No.28.

(2) The Environmentally Conscious Activity Promotion Law was enacted in 2004 and came into force in April 2005, and it requires certain public corporations (specified corporations) such as national universities to publish environmental reports and to enhance its credibility by means of

assurance, self evaluation or others. JICPA and MOE has conducted a joint study on the assurance engagements on CSR information, including environmental information under the Law, and issued a study report, which will be the base of discussions about establishing the assurance standards on CSR reports in future.

(3) MASRC has examined the current situation regarding the disclosure of climate risks in the CSR reports and annual reports of 26 large companies in electric power, automobile and steel industries, and JICPA published MASRC Research Report No.33 as a result. In the report we focused on how comparably the green house gas emission data are disclosed by the companies and pointed out that there is a significant lack of uniformity in data boundaries. In the presentation I will provide some research data and discuss the possible direction of climate risks disclosure in future.

CAPA Conference Osaka October 2007
Abstract of Presentation
(David Owen)

Environmental accounting, CSR reporting and assurance

Professor David Owen, judge for the UK ACCA Sustainability Reporting Awards, will be discussing trends and developments in UK companies' sustainability reporting as well as recommendations for improvement made by the ACCA Judging Panel in 2006, which included areas such as economic performance reporting, external report assurance and disclosing the boundary and scope of reports.

Professor David Owen – abstract of presentation

As of March 2007, 81% of the UK's FTSE 100 top companies were issuing non-financial reports – variously known as sustainability reports, corporate responsibility reports, etc. For an un-regulated disclosure activity this is a surprisingly high figure – especially given that 20 years ago the percentage would probably have been zero. Growth in this form of reporting at the global level is equally impressive - CorporateRegister.com holds records on over 14,000 non-financial reports issued by nearly 4,000 companies.

But although non-financial reporting has a long history – in the United Kingdom it really got started in 1990/1991 – the absence of a formal sustainability/CR reporting standard[1] has meant that actual reporting practices vary between companies, between sectors and between countries. Likewise assurance practices, which are also not governed by a clear, generally accepted assurance standard.

These differences in reporting practices and assurances techniques have led to some criticism of the non-financial reporting process and the credibility of the reports and assurance reports delivered to stakeholders..

[1] the sustainability reporting guidelines of the Global Reporting Initiative (the GRI) are widely cited but are do not represent a formal legal requirement in any country.

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Abstract of Presentation
(David Owen)

Professor Owen has been involved with the UK Sustainability Reporting Awards offered by the Association of Chartered Certified Accountants (ACCA) since the inception of the scheme in 1991. He has researched widely on sustainability reporting and assurance practices. He will present an analysis of the current state of UK corporate responsibility reporting and assurance as observed by the judges of the ACCA Sustainability Reporting Award scheme.

Among the recommendations made by the ACCA judges were calls for reports to:

- Improve the linkage between strategic plans and objectives and sustainability
- Provide better explanation of key issues and impacts
- Clarify the boundary and scope of reports
- Improve the reporting of economic impacts
- Improve the clarity and meaning of assurance statements
- Improve accessibility of reports
- Present more disaggregated data

CAPA Conference Osaka October 2007
Abstract of Presentation
(Roger L. Burritt)

PRELIMINARY EVIDENCE ON THE RELATIONSHIPS BETWEEN ENVIRONMENTAL MANAGEMENT SYSTEMS, ENVIRONMENTAL REPORTING, STAKEHOLDER ENGAGEMENT PROCESSES AND ENVIRONMENTAL PERFORMANCE IN AUSTRALIAN COMPANIES

Carol A Adams (La Trobe University)

Roger L. Burritt (University of South Australia)

Geoff Frost (The University of Sydney)

Abstract

Companies are increasingly being held accountable for their corporate social responsibility management and performance. Stronger demand for corporate transparency and accountability elicits one of two main responses: first, improved management of corporate social responsibility issues; and, second, improved stakeholder engagement through reporting of information about corporate social responsibility performance. To date, the literature has examined these responses independently of each other with the emphasis being on environmental management, on which this presentation focuses.

The literature has postulated that reporting of environmental information presupposes the existence of a prior source of information generated by an EMS (Adams 1999; Elkington 1993). Hence, the quality of environmental information is arguably a function of environmental accounting (Schaltegger and Burritt 2000; Burritt *et al.* 2002c). Information reported is influenced by the availability of appropriate information systems that also influence the effectiveness of the company to manage environmental issues (Noci 2000). Alternatively, Bartolomeo (1998) observed that the process of producing a report for a diversified firm resulted in the establishment and linking of different environmental information systems. Through reporting, better environmental management accounting information systems were developed and subsequently used by management to improve overall environmental performance.

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Abstract of Presentation
(Roger L. Burritt)

Hence, questions addressed in this presentation include: 'How are Australian companies approaching the development and formalisation of their environmental management systems (EMS)' and 'How does the commitment to stakeholder engagement influence the development of an EMS?'

This presentation reports on the preliminary results of part of a larger survey of environmental managers in the top 200 listed companies in Australia in 2006. The survey questions were informed by an extensive literature review and detailed case studies of six Australian companies with high environmental impacts.

In this paper preliminary and partial results from the questionnaire are reported providing information about factors influencing the development of an EMS including: the role of standards and guidance; management and stakeholder influences; and, environmental reporting.

In the development of the questionnaire, management and reporting functions were perceived to be intertwined; management systems are improved by continual scrutiny by stakeholders of overall performance; and, quality reporting must be supported by adequate management systems.

Prior research has sought to identify the salience of stakeholder influence on an organization's development of environmental management practices (Delmas and Toffel, 2004). The results of this study suggest that respondents are most considerate of regulatory requirements or regulatory pressure, suggesting that whilst the EMS may be a voluntary tool, it is being used as a mechanism to assist the company manage its relationship with regulators. Pressure exerted by stakeholder groups was perceived to be the least important consideration in the development of the EMS. This perhaps needs further investigation, to understand organization specific factors that may have influenced the result. This is the first step towards expansion of the focus of this study towards addressing the broader notion of the relationships between corporate social responsibility, associated management systems, reporting and performance.