

## SUSTAINABILITY REPORT: PRESENT STATUS AND FUTURE

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### Abstract

With a new perspective, although long it's consolidated, the CSR, the Sustainability Report has become the main instrument of social and environmental reporting, to be attached to the purely economic vision presented by the Annual Management Budget. Those two documents are completing each other and together can provide, to stakeholders, the whole framework about the results, reports, spill and the company involvement in its territory place of action.

The preparation of this report has become, for many companies, a form of investment and fits well with a new corporate governance, open to a more organic and determining participation towards the internal and external users.

But it is an important means of communication for the company and to make know its image, only if it is built in depth, not superficial, considering the subject that more affect the community and encouraging a link of continuous contact and transparent relationships with people, as real or potential stakeholders. The Sustainability Report is evolving, in order to understand all the sensitive issues of the community and is transforming its vision triple *bottom line* (economic, social, environmental), with a view to *multistakeholder* type, to offer a panorama all-round of the business, which might better suit the individual needs of users of products / services offered by the company.

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The enterprise image must therefore be the most faithful possible to the parameters that civil society requires and, in the classical improving continuously logic, must pursue the temporal standard of sustainability more sophisticated and current, indicative of a reality in perpetual evolution.

These standards are provided by national, European and international laws and also by the ISO standards related the areas of application concerning Quality, Safety at Work, Environment and Ethics.

### Riassunto

Nell'ottica nuova, anche se ormai consolidata, della Responsabilità Sociale d'Impresa, il Bilancio di Sostenibilità è diventato lo strumento principale di rendicontazione sociale e ambientale, da affiancare alla visione meramente economica presentata dal Bilancio d'esercizio. I due documenti sono l'uno il completamento dell'altro e insieme riescono a fornire agli stakeholder il quadro completo riguardante i risultati, le relazioni, le ricadute e i coinvolgimenti che l'azienda matura nel suo territorio di azione.

La stesura di tale rapporto deve diventare per le imprese una forma di investimento da collocare nell'ottica di una nuova governance aziendale, aperta alla partecipazione organica e determinante dei fruitori interni e esterni. Il Bilancio di Sostenibilità costituisce un mezzo di comunicazione fondamentale per l'immagine aziendale, soltanto nel caso in cui la sua redazione sia effettuata in maniera approfondita e puntuale, prendendo in esame gli argomenti che più interessano la comunità e privilegiando continuo contatto e relazioni trasparenti con il pubblico, costituito da stakeholders reali e potenziali, diretti e indiretti, istituzionali e non.

Il Bilancio di Sostenibilità si sta evolvendo, proprio allo scopo di comprendere tutte le tematiche sensibili della comunità e sta trasformando la sua visione triple *bottom line*, economica, sociale, ambientale, in una prospettiva di tipo *multistakeholders*, in modo da offrire un panorama a tutto tondo dell'attività d'impresa, per soddisfare al meglio le esigenze degli utilizzatori di prodotti/servizi offerti dall'azienda.

L'immagine dell'impresa deve risultare dunque la più fedele possibile ai parametri che la società civile richiede e, nell'ottica classica del miglioramento continuo, deve perseguire nel tempo gli standard di sostenibilità più sofisticati e attuali, indicativi di una realtà in perpetua evoluzione.

Tali standard sono forniti da leggi nazionali, europee ed internazionali, nonché dalle norme ISO inerenti gli ambiti di applicazione che riguardano qualità, sicurezza sul lavoro, inquinamento e ambiente.

**Keywords:** Sustainability Report, Corporate Social Responsibility, Stakeholders, International Standards

## Introduction

“Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development”<sup>2</sup>. The word Budget accompanied by adjectives such as social, environmental, economic- environmental, or with the nouns mission, mandate, social responsibility, sustainability, identifies prospects with different meaning in the social relations of public enterprises. This support, born with the task to integrate the only accounting information arising from the Annual Budget, it has been named in different ways, even if the contents were very similar and this lack of clarity was thought to be in the presence of synonyms that, although with different words, defined the same contents.

“It should be remembered that, in practice, by business, there is yet no identity of views on the meaning and content of a Sustainability Report, there is yet no identity of views, especially by business. Some still believe that the. Others think that this is the whole of the Annual and Environmental Reports. The most careful corporates, consider that the Sustainability Report, in line with the strategy, is the most comprehensive and complete tool to accountabilty the economic, environmental and social performances for business”<sup>3</sup>.

Much time is spent by the editing of the first Social Report, from Legacoop in 1991 and it was born in the shape of the aggregated Report named “Coop Budget 1990”. The initiatives and the resources allocated to social and public utilities. " Today the situation is in reorganization, with details on the scope of reference of the document, even if sometimes lacking explanations to the community about the used parameters/gauges. We consider also how the term "social" was misleading for the Italian language, because there is a misunderstanding with the word company (in italian “società”), while the scope of attention to outline has the object the relationship marketing with the community, understood both the territorial boundaries, both in enlarged dimensions.

The business must look, through cross pathways that may involve the largest number of direct or indirect stakeholder’company, towards the traditional economic and financial targets, without underestimating the

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<sup>2</sup> GRI version 3.0 – Sustainability Reporting Guidelines – GRI, 2000-2006

<sup>3</sup> B. Leoci:” I “Bilanci di Sostenibilità”: punto d’incontro tra le Scienze Merceologiche e quelle Economico-Aziendali”

influence of the enterprise's work in a system of broader context, aimed at environmental and bearing in mind the individual interest and society as a whole, and their subsequent consent. Today the keywords (benchmark) for a company with high performance are effectiveness, efficiency, profitability, but placed in a frame formed by a mix of ethics, governance, accountability, sustainability, consensus, commitment.

### **Components of the budget of sustainability**

“A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization, - including both positive and negative contributions”<sup>4</sup>.

The key issues for the modern enterprise, no longer just the traditional ones, but take into consideration issues such as Ethics, Sustainable Development, Transparency, Social Responsibility, which set out the new context in which business plays that should have the categorical adjective of Transparency. The Sustainability Report covers all the above issues and has become the most comprehensive instrument of "advertising" of the organization, a kind of poster by which the company is able to better communication. This is a voluntary document and its scheme is free, so companies make reference to classical structures reported by Global Report Initiative (GRI), and in particular for the detailed sequence of performance indicators and for the multi-stakeholder's approach; to Gruppo Bilancio Sociale (GBS), because it is the only diagram that illustrates the distribution of the economically determined Value Added; Global Compact, to promote a corporate culture that sets "shared values and principles, which will give a human face to the global market"<sup>5</sup>.

Then there are the necessary additions made by national and mandatory by the European Community laws, as well as norms and internationally shared standards, such as certifications in various areas of business applied.

The Sustainability Report opens with the presentation of the corporate structure, mission, values and business goals which refer, about the identity of stakeholders. Then there are the Code of Ethics, the Code of Conduct and Service Charter, which means until a few years ago were

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<sup>4</sup> GRI version 3.0 – Sustainability Reporting Guidelines – GRI, 2000-2006”

<sup>5</sup> Kofi Annan, Secretary General United Nations – 1999 World Economic Forum – January 31 1999, Davos

independent living and today, they are written with participatory and sharing methods by employees internally and with key categories of external users, fall into the Sustainability Report.

Now, in the globally shared vision of Corporate Social Responsibility (CSR), the Ethics is the based principle that set the concept of sustainability and the international standard that covers it, is the Social Accountability 8000 (SA 8000), arose with the birth of CEPAA (Council on Economic Properties Accreditation Agency), then transformed into the Social Accountability International (SAI), whose contents, in accordance with the principles of the Conventions adopted by ILO and the International Declaration of Human Rights, concerning child and forced labor, health and safety, discrimination based on ethnicity, social class, sex, religion, disability, political orientation and union membership, wages, working hours, freedom of association and rights inherent collective bargaining: all of these parameters must be respected, not only by the enterprises, but also by organizations that they become part of its supply chain.

The SA 8000 is referred also to the need to have in the business, Management Systems and use the classic "Deming Cycle" (PDCA) (3), emphasizing how this information should be made known outside, even according to an audit of the concerned parties. The dialogue research is also important for the organization to make better of ethics (4). The SA 8000 is already the third edition of 2008, but given the continuing evolution of the ethical and social issues and themes to be redefined in a more analytical manner, especially in Countries in Transition, the rule is updated in order to update the reference, and review it regularly and continuously, even in the logic of continuous improvement.

The first company certified SA8000 in Italy was once Coop Italy, in 1999 and therefore all the supply chain are themselves certified. In March 2008, worldwide companies are certified in 1693, our country has the largest number of certified, 795, and particularly in certain regions such as Tuscany, there is the 15% of all certified companies, 219, because through regional projects they have the opportunity to obtain tax concessions and contributions (7) (Figure 1).

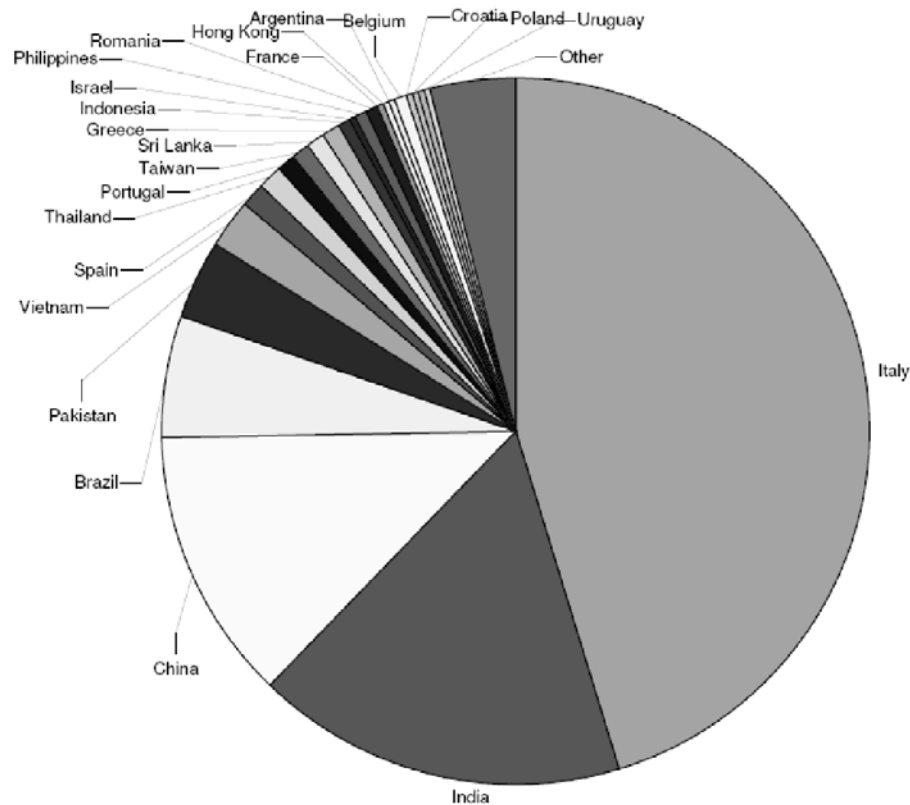


Fig. 1 - Facilities by Country.

Source: SAAS (Social Accountability Accreditation Services); <http://www.saasaccreditation.org>

For enterprises to obtain the SA 8000, should not be considered a milestone, but a value to be maintained in the three years of certification, which is always revocable by the Certifier, if the business standards do not meet more the imposed standards (8).

The Ethics is now entered in the vision of the management strategy as: "good ethic is good business".

Another important issue considered by the companies is the model of corporate governance, which outlines the principles of accountability of governing bodies and the characteristics of efficiency and transparency, particularly in respect of shareholders (9).

The Codes of Conduct adopted by the companies relate to the themes of best practice applied to the Corporate Governance and in this regard, many organizations refer to the latest version of the Code of Conduct for Listed Companies, published in 2006 by the Borsa Italiana, in which the reporting must be based on the principle of "comply or explain".

The articles of the Code are cut according to principles of general, detailed with application criteria and further comments and examples in order to clarify the applied principles. It then outlined the functions of bodies corporate and their operational requirements, taking into account the interest of stakeholders.

The primary objective of the Board of Directors, which is the principal organ of government, is to pursue the stakeholder value (art. 1), also through dedicated information pathways, for example, with sections of the corporate website (art. 11), through transparency in the way of appointment of directors and auditors and related information (art. 6), the adoption of a "System of Internal Control", to monitor and evaluate about the Board of Directors (art. 8) (10).

Another step towards corporate sustainability is a certification which the company obtained in accordance with the implementation of the principles contained in the updated versions of the standards ISO 9001:2008, ISO 14001:2004 and EMAS, BS OHSAS ISO 18001:2007, respectively Quality, Environment, Health and Safety Manager Systems.

The application of the principles contained in these ISO standards, meeting the needs of social, environmental and economic scope, and this is important for the directly and indirectly business stakeholders.

These standards are aligned, consistent and internationally designed, set in the continuous improvement of various areas performance and, with the same pattern carrier, can easily achieve the required integration of Management Systems.

They are voluntary standards that represent the business commitment about:

- To safeguard the interests of customers and suppliers, through the certification of the Quality of the production cycle and for products;
- In relation to the environment and behavior of the production that can minimize the impacts;
- The protection of workers, the risks and prevention of accidents in the workplace.

TABLE 1

***CERTIFICATION DATA ITALY (30 APRIL 2009)***

	<b>ISO 9001:2000</b>	<b>ISO 9001:2008</b>	<b>ISO 14001:2004</b>	<b>OHSAS 18001:1999</b>	<b>OHSAS 18001:2007</b>	<b>Total</b>
Production sites	115.942	4.886	13.403	398	1.055	135.684
Certified sites	85.980	3.517	8.331	268	586	98.682

Source: Sincert, our reworking

Where the certified accounts for 72.73% of the total applicants (Table 1).

Another standard reference on sustainability is the Accountability 1000 (AA1000), born in 1999 in the UK, edited dell'ISEA (Institute of Social and Ethical Accountability), which measures the outcome of the ethical and social investment, with the sustainable development perspective, in order to certify the quality of reporting about Corporate Social Responsibility. This is also a dynamic model, with the approach to continual improvement, about the quality of the relationships between company and external system. AA1000 is an autonomous system for measuring the ethical and social responsibility, or it may be accompanied by other specific standards to the liability. It has close connections with the SA8000, the ISO 14001 and the GRI Principles, in relation to economic and environmental issues.

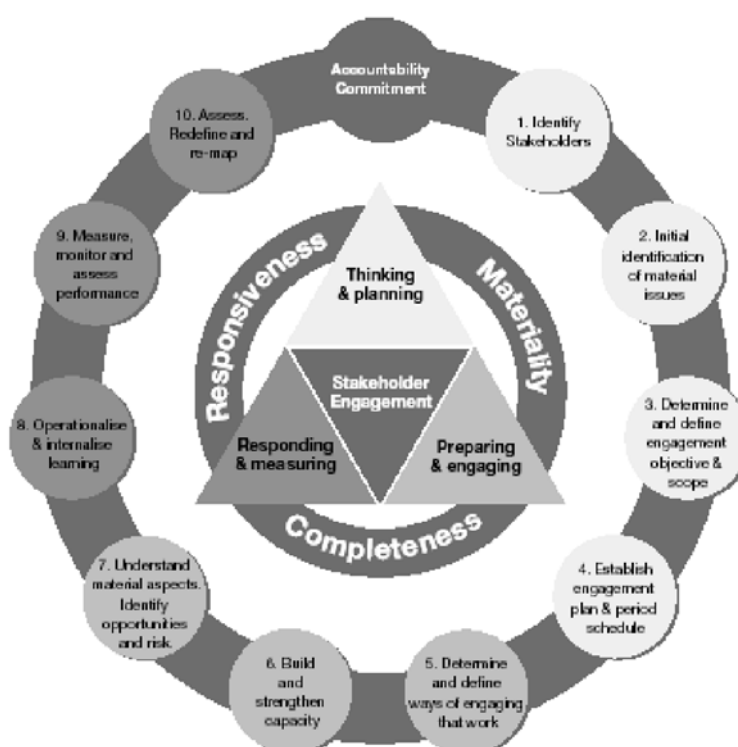
The developed phases of the process are:

- Planning: definition of the social and ethical objectives, identification of stakeholders
- Accounting: clarification of the purpose, founded information management, identification of targets and indicators;
- Auditing and reporting: the produced report is shared with stakeholders;
- Embedding: creation of dedicated systems, for greater integration of the management process.

During the entire course of the process is running the "stakeholder engagement", the continuous business connection with all the stakeholders in order to involve them to avoid conflict, increase cooperation, consensus and mutual trust (12).



For this reason the standard AA1000 SES (Stakeholder Engagement Standard) was set up, to detail the involvement of stakeholders, in terms of functions, specifically, transverse, internal or external, to meet their needs and their expectations, but especially for allow the company to obtain the necessary information for achieving excellence in business processes. (13)



*Fig. 2 - Stages and Elements of the Framework for Quality Stakeholder Engagement.*  
*Source:* Stakeholder Engagement Standard, Exposure Draft - Institute of Social and Ethical Accountability (ISEA); AA1000SES – AccountAbility, 2005; [www.accountability.org.uk/resources](http://www.accountability.org.uk/resources)

### Gri Model

The Global Report Initiative, in its Sustainability Reporting Guidelines, has developed a universal model, used by every type of business operating in any sector of activity and all over the world.

The Guidelines describe the principles from which information report will develop and about technical indicators to be used, by Protocols Industry, Key Principles, standard information. (Figure 3)



Fig. 3 - The GRI Reporting Framework.

Source: GRI (Global Report Initiative) version 3.0 – Sustainability Reporting Guidelines – GRI, 2000-2006; <http://www.globalreporting.org>

The system diagram of the GRI's is based on the concept of sustainability: to assess the influence that the work will have in the economic, social, environmental sector and in territorial, regional, national and international levels. This influence can be better or worse, not only for the environmental sector, where it is automatically think in terms of pollution and use of resources, but also in social, with respect to International Agreements on protection of workers or consumers and economic, where the use of factors of production can be established in a strictly managerial, but also evaluating the qualitative and quantitative savings of raw materials used. Another distinctive element of the scheme GRI is to outline the perimeter of the report along the supply-chain, in order to define the activities that generate impacts and investigate with the tools best suited to such activities. (Fig. 4).

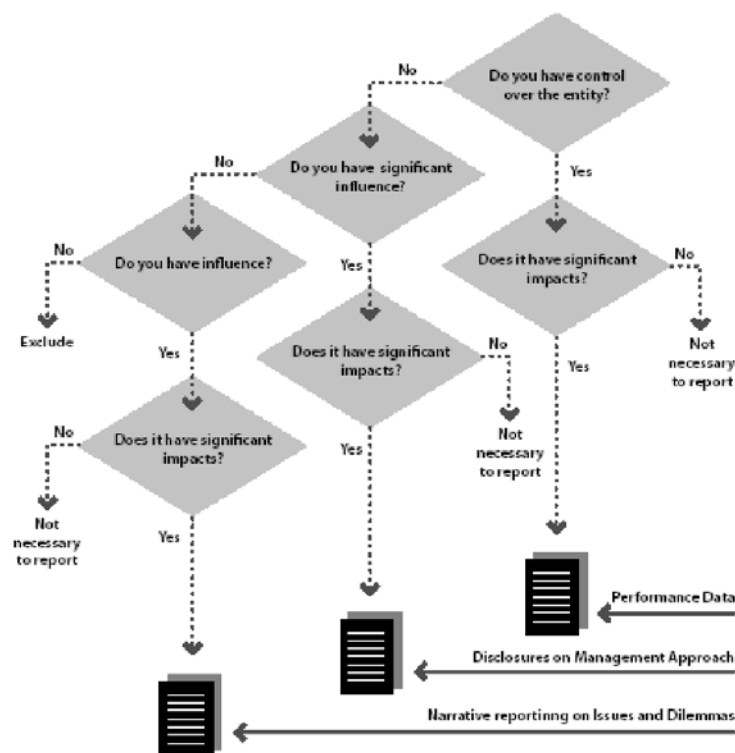


Fig. 4 - Decision Tree for Boundary Setting.

Source: GRI (Global Reporting Initiative) version 3.0 – Sustainability Reporting Guidelines – GRI, 2000-2006; <http://www.globalreporting.org>

The strength of the GRI model is the detailed list of indicators, frequently updated, to adapt better to the internal and external reality; they differ in core and additional parameters for specific area and are divided in the following areas of performance.

*o Economic Performance:*

- Classical (operational profitability, investment, finance),
- Marketing (market presence),
- The indirect impact (investment in facilities for public use, donations, pro-bono works);

*o Working Conditions Performance :*

- Employment (number employees, types of contracts, accounts, territory)
- Health and safety (accident rate, days of absence, education, training, prevention and control risks),
- Training and education (courses, hours spent)
- Diversity and Equal Opportunities (business composition based on gender, age, factors of diversity, profitable relationships);

*o Environmental Performance:*

- Raw materials (quantity used, use of original or recycled material)
- Energy (direct and indirect consumption by source primary energy saving initiatives),
- Water (samples from the source, reuse, recycle)
- Biodiversity (the business impact on available protected and not protected areas, list of protected species in the area of operation)
- Emissions, discharges, waste (emissions direct / indirect GHG and pollutants ozone and initiatives to reduce water discharged, significant spills, quantification, and type of waste disposal);
- Products and services (their environmental impact and reuse / recycling of packaging)
- Transport (environmental impacts for transport materials, products, employees),
- General (investments and initiatives for environmental protection).

*o Human Rights Performance:* refer clearly to the themes of SA 8000, which we discussed above.

*o Company Performance:* considering the impact that the organization has to the community in which it operates, with regard to corruption, anti-collusion, political pressure.

*o Product Responsibility Performance:*

- Health and safety of consumers (products / services: LCA, impact on users, non-compliance)
- Labeling of products and services (type of information, customer satisfaction surveys),
- Marketing communication (voluntary codes of advertising and promotion, respect for privacy).

For each aspect of performance analysis are investigated non-compliance, fines and penalties resulting from breaches of laws, codes, International Agreements.

### **Future prospects**

If we compare the few Financial Sustainability drafted a decade ago with more recent ones, we see that the fundamental difference is in a more analytical reporting on issues affecting workers, environment, and real or potential consumer. Especially today, where there is a structural crisis of markets, the attention increases forwards community issues relating to Health and Safety workers, pollution, quality of offered products/services and it is necessary to spread a "culture of sustainability", ensuring that the drafting of the Sustainability Report will become an asset for business development, while their costs should be considered a strategic investment. The document becomes a poster showing the organization in terms of transparency, but above all, a "value added" to spend on the market.

Since the Industrial Revolution onwards, technological innovations were the basis for productivity and business efficiency and the firm of the third millennium will have to base its innovation on active reports with the social partners through dialogue, relationship, mutual exchange of information and the ultimate goal is the consensus of stakeholders. But the culture of sustainability also passes through the evolution of international standards of certification for companies, like ISO and other specifications, for which standards are dynamic, to cope with different realities, in the continuous improvement perspective. The development of an accurate Integrated Policy together with an Integrated Management System, will be for the company, in the future, a further strength. Do not forget then the expected standard ISO 26000, the inherent social responsibility of business, consistent with the ILO Conventions, whose content is already well defined (Meeting Bangkok, September 2005), but whose publication, slipped several times, will hopefully take place by 2009. The Economic and Social Committee (EESC) said:

“The provision of high quality reports would make it possible for European citizens, in their capacities as consumers, savers and residents, to make guided choices. Products and services which offer high quality social information and traceability already enjoy a real comparative advantage

with investors and consumers, as well as consumers' associations. This trend will become increasingly important for sustainable development"<sup>8</sup>.

Do not forget that in the near future companies will have to increase the use of instruments for environmental analysis, in anticipation of the "package-commitment" signed by the European Union in March 2007, called "20-20-20" on the sighting targets by 2020: achieving 20% energy from renewables, improving energy efficiency by 20%, 20% cut on CO<sub>2</sub> emissions. On these issues will form the new business scenarios, companies must be accountable to community and institutions, in a global business and shared perspective.

## Conclusion

Dialogue between the parties, information, clarity, publicity of corporate data, continually evolving standards, for best accountability of the producer organizations, transparency of information, protection of labor rights, attention to consumer demand, social responsibility, commitment to 360 degrees to the community, operating under the banner of sustainable development: these are the key words for the future of business.

Ambitious and not short-term goals and sometimes new concept, achievable only with the knowledge that the current economic model-production-company is no longer sufficient to understand the specific characteristics of the company, now operating in a multifaceted and macroeconomic constantly evolving system, which should give an account of the pressing social and environmental needs.

The solution to these demands, or rather the attempt to give a solution to it, passes through a new corporate culture, which opens its doors to those social qualitative parameters that the business has always considered little, favoring instead the more closely related to management.

The study of Economics is based on the availability of resources in relation to needs, but if the needs change, you must adapt.

Today we are faced with a twofold change of the Economic System, because, in addition to changing needs, there is the simultaneous change of the means necessary for production, both in quantity, both about the product: the economic model used here is no longer enough, we are faced with fundamental changes in values.

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<sup>8</sup> CESE – SOC/244, Responsabilità sociale delle imprese CSR

To take account of all this, the vision of change and be more attentive to the "social" and requires that its new point of view is made known, using the tools best suited: the Sustainability Report has these characteristics and his editorial staff to be punctual, precise, true and complete.

"If information and knowledge are central to democracy, they are the conditions for development." Kofi Annan.

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