Abstract

We live, breathe, create, extract, produce, pollute and consume in our daily life. We currently use 1.5 times capacity of the earth each year to absorb our waste and provide renewable resources. If we don’t act properly, by 2030 this number will be two planets every year. This needs to change, change into a sustainable global economy.

Sustainability is not only an environmental issue, it also takes into account economic & social issues, labor practices, human rights, economic performance, community, society, corruption, corporate governance and responsibility of product & services. And a sustainable global economy is not a luxury. Without a sustainable business model, environmental and social issues will continue to badly impact our economy and compromise our future needs. The planet and society need a sustainable global economy and an organization needs at first a long time strategy and success. How do it get started? The change to a sustainable economy requires organizational change. To drive change, the organization needs to set goals and measures how the organization will forward.

Keywords: Sustainability, Sustainability, Sustainability Reporting, Global Reporting Initiative, GRI, Triple Bottom Line, ISO 26000, OECD, GRI 3, GRI 3.1, GRI G4, IIRC, CERES, UNEP, ISO, Sustainable Development, Sustainability Reporting Milestone, GRI G4, DMA, UNGC, ISAE, AA1000.
Introduction

An increasing number of companies and organizations want to make their operations sustainable and contribute to sustainable development. Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance. Sustainability - the ability for something to last for a long time, or indefinitely - is based on performance in these four key areas:

1. Systematic sustainability reporting helps organizations to measure the impacts they cause or experience, set goals, and manage change;
2. A sustainability report is the key platform for communicating sustainability performance and impacts - whether positive or negative;
3. To produce a regular sustainability report, organizations set up a reporting cycle - a program of data collection, communication, and responses. This means that their sustainability performance is monitored on an ongoing basis. Data can be provided regularly to senior decision makers to shape the organization’s strategy and policies, and improve performance;
4. Sustainability reporting is a vital resource for managing change towards a sustainable global economy - one that combines long term profitability with ethical behavior, social justice and environmental care.

Sustainability

Sustainability is the state of global system, which includes environmental, social and economic subsystems, in which the needs of the present are met without compromising the ability of future generations to meet their own needs. Sustainability is combination of two words; ‘Sustain’ and ‘Ability’ i.e. SustainAbility. The simplest and most fundamental meaning of sustainability is: “the ability to sustain” or, put another way, “the capacity to sustain”. As per Oxford Dictionary, sustainability means “able to be maintained at a certain rate or level” i.e. sustainable economic growth.

“Sustainability is defined as requirement of our generation to manage the resource base such that the average quality of life that we ensure ourselves can potentially be shared by all future generations…. Development is sustainable if it involves a non-decreasing average quality of life”. [Geir B. Asheim, “Sustainability,” The World Bank, 1994]

Sustainability Reporting

Sustainability Reporting is a key tool to help the organization to set goals, measure progress and manage sustainability within the organization. Reporting on the organization’s sustainability performance will give internal and external stakeholders a clear idea of its impact and can increase the efficiency and improve the performance. And reporting enables the organization to forward into successful sustainable future.

In a word, a sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization’s values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. Sustainability reporting may be called in different names such as, a non-financial reporting or triple bottom line reporting (i.e. People, Planet and Profit) or corporate social responsibility (CSR) reporting, and more.

Why sustainability reporting

As per definition of Global Reporting Initiative (GRI), “A sustainability report enables companies and organizations to report sustainability information in a way that is similar to financial reporting. Systematic sustainability reporting gives comparable data, with agreed disclosure and metrics.”

Many organizations are incorporating environmental and social information into their public reports in response to demands from shareholders and other stakeholders for more information so that they may make better-informed decisions about a company’s
performance in this area. Organizations of all sizes (including commercial companies, organizations, NGOs, schools and small & medium companies) are choosing to report on their sustainability strategies for several reasons.

An effective sustainability reporting cycle should benefit all reporting organizations. There are two types of benefits; one is internal and the other is external.

Internal benefits for companies and organizations include:

- Increasing understanding of risks and opportunities;
- Emphasizing the link between financial and non-financial performance;
- Influencing long term management strategy and policy and business plans;
- Streamlining processes, reducing costs and improving efficiency;
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives;
- Avoiding being implicated in publicized environmental, social and governance failures;
- Comparing performance internally, and between organizations and sectors.

External benefits of sustainability reporting include:

- Mitigating - or reversing - negative environmental, social and governance impacts;
- Improving reputation and brand loyalty;
- Enabling external stakeholders to understand the organization's true value, and tangible and intangible assets;
- Demonstrating how the organization influences, and is influenced by, expectations about sustainable development.

What is GRI

The Global Reporting Initiative (GRI) is a leading organization in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. A sustainable global economy should combine long-term profitability with ethical behavior, social justice, and environmental care. This means that when companies and organizations consider sustainability - and integrate it into how they operate - they must consider four key areas of their performance and impacts: economic, environmental, social and governance.

The Global Reporting Initiative (GRI) promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to a sustainable global economy.

GRI is an international, network-based organization; its activity involves thousands of professionals and organizations from many sectors, constituencies and regions. GRI's mission is to make sustainability reporting standard practice. To enable all companies and organizations to report their economic, environmental, social and governance performance, GRI produces free Sustainability Reporting Guidelines. (GRI website: https://www.globalreporting.org/). GRI was set up in the US in 1997 by CERES ("Coalition for Environmentally Responsible Economies" is a non-profit sustainability advocacy organization based in Boston, Massachusetts. Founded in 1989, Ceres' mission is to "mobilize investor and business leadership to build a thriving, sustainable global economy". Ceres brings together disparate stakeholders - investors, companies and public interest groups - to accelerate and expand the adoption of sustainable business practices and solutions to build a healthy global economy), with support from the United Nations Environment Program (UNEP). Its Secretariat is located in Amsterdam, The Netherlands, and there are GRI 'Focal Points' - regional offices - in Australia, Brazil, China, India, South Africa, and the USA. GRI enjoys strategic partnerships with the Organization for Economic Co-operation and Development (OECD), the UN Global Compact, UNEP and the International Organization for Standardization (ISO).

Structure of GRI

The Global Reporting Initiative (GRI) is an international non-profit organization, with a network-based structure; and a Collaborating Centre of the United Nations Environment Program. GRI's Board of Directors has ultimate responsibility for GRI.

Funding of GRI

GRI is supported by a global network, and has diverse sources of funding as under:

- Project grants from governments and foundations;
- Corporate sponsorship of projects and events;
- Provision of learning and other services;
- Support from a large international community of Organizational Stakeholders and Stakeholder Council members.
Scope of the work of GRI

GRI works within a global network that is open to all individuals and organizations with an interest in sustainability reporting. This collaborative network includes representation from corporations, governments, non-governmental organizations, consultancies, accountancy organizations, business associations, rating agencies, universities, and research institutes. They contribute to the ongoing development of GRI’s Sustainability Reporting Framework.

Major contributors of Sustainability Reporting under GRI method

The major contributors of Sustainability Reporting guidance include as under:

- The Global Reporting Initiative (The GRI Sustainability Reporting Framework and Guidelines);
- The Organization for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises);
- The United Nations Global Compact (the Communication on Progress);
- The International Organization for Standardization (ISO 26000, International Standard for social responsibility)

Sustainability Report: Who will prepare?

Companies and organizations of all types, sizes and sectors, from every corner of the world, may prepare sustainability reports. GRI’s guidance is designed to be used by all companies and organizations, and can play a major role in the future of organizational reporting.

Thousands of companies across all sectors have published reports that address some or all of the disclosures in GRI’s Sustainability Reporting Framework and Guidelines. Presently, public authorities and non-profits are also big reporters.

Milestone of Sustainability Reporting

The year-wise development of Sustainability Reporting under GRI method is as under:

<table>
<thead>
<tr>
<th>2000</th>
<th>2002</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The first version of GRI launched.</td>
<td>- The second generation of guidelines, known as GRI G2, was unveiled at the world Summit on Sustainable Development in Johannesburg.</td>
<td>- GRI was formally inaugurated as UNEP collaborating in the presence of then UN Secretary General Kofi Annan, and relocated to Amsterdam as an independent non-profit organization.</td>
<td>- Launch of G3’s development.</td>
<td>- Taken ‘Growth and Responsibility in a World Economy’, Held G3 Summit Heiligendamm, Summit Declaration on G3.</td>
<td>- Published G4 guidelines for GRI based external reporting by stake-owned companies (Sweden).</td>
</tr>
<tr>
<td>- Declaration of 5th Global GRI Conference to be held 18-20 May, 2003 in Amsterdam, the Netherlands.</td>
<td></td>
<td></td>
<td>- ISO 26000, the international standard for social responsibility, was published by the International Organization for Standardization (ISO).</td>
<td>- Published ‘Guidelines on FullFilling Social Responsibility’ by State-Owned Enterprises (China) certification.</td>
<td>- Published White Paper on CSR in a global economy’ in Norway.</td>
</tr>
<tr>
<td>- Norway and Colombia (on the Group of Friends of Paragraph 47 in the first four months of 2013</td>
<td></td>
<td></td>
<td>- GRI introduced service for its users expanded to include coaching and training, software certification, “beginners” reporting guidance for small and medium-sized enterprises.</td>
<td>- The Corporate Social Responsibility Voluntary Guidelines in India launched by the Ministry of Corporate Affairs.</td>
<td>- SEC shifts policies to incorporate ESG concerns (USA).</td>
</tr>
<tr>
<td>- Amsterdam Global Conference on Sustainability and Reporting</td>
<td>- Launch of G4, the fourth generation G3 guidelines (from May 22, 2013)</td>
<td></td>
<td>- Revised EU Workshop on the Relevance of ESG information (European Commission).</td>
<td>- Update of King Code of Corporate Governance for South Africa (King III).</td>
<td>- Declaration Financial Statements Act 2011-14 for CSR.</td>
</tr>
<tr>
<td>- Norway (on the Group of Friends of Paragraph 47)</td>
<td>- Gas and oil passed in France</td>
<td></td>
<td>- Launch of the UNGC Disclosure Framework.</td>
<td>- UNGC women’s empowerment principles</td>
<td>- Launch of the UN Guiding Principles on Transparency.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- GRI's annual Global Conferences and GRI’s Annual Global Conferences, launched with updates on gender, community and human rights.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Revised EU strategy 2011-14 for CSR published by the European Commission, with new definition of CSR and announcement of future mandatory sustainability reporting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>UNGC women’s empowerment principles.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Launch of the UN Guiding Principles on Transparency.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Launch UN Guiding Principles on Human</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rights.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The IFC/IFC global survey on corporate responsibility reporting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**THE COST AND MANAGEMENT**

*ISSN 1817-5090, VOLUME 43, NUMBER 5, SEPTEMBER-OCTOBER 2015*
Sustainability Reporting and Global Reporting Initiative (GRI)

Since 1999, GRI has provided a comprehensive Sustainability Reporting Framework that is widely used around the world. The cornerstone of the Framework is the Sustainability Reporting Guidelines. As a result of the credibility, consistency and comparability it offers, GRI’s Framework has become a de facto standard in sustainability reporting in the world.

GRI: Defining reporting content

Organizations around the world can take one of the many different approaches, based on local cultures and regulatory differences, and on availability of the different mandatory and voluntary initiatives. The most commonly accepted framework has been created by the Global Reporting Initiative (GRI). The vision of the GRI is that disclosure on economic, environmental and social performance is as commonplace and comparable as financial reporting. The GRI guidelines present four principles for defining report content:

Materiality: The report should cover topics and indicators that reflect the organization’s significant economic, environmental, and social impacts, or would substantively influence the assessment and decisions of stakeholders.

Stakeholders’ inclusiveness: The reporting organization should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests. (Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services, and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives).

Context: The report should present the organization’s performance in the wider context of sustainability.

Completeness: The information presented in the report should be sufficient to reflect significant economic, environmental, and social impacts, and enable stakeholders to assess the reporting organization’s performance in the reporting period.

Principles of defining GRI report

The guidelines have six principles defining report quality. These are:

Reliability: Information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information.

Clarity: Information should be made available in a manner that is understandable and accessible to stakeholders using the report.

Balance: The report should reflect positive and negative aspects of the organization’s performance to enable a reasoned assessment of overall performance.

Comparability: Issues and information should be selected, compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders to analyze changes in the organization’s performance over time, and could support analysis relative to other organizations.

Accuracy: The reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization’s performance.

Timeliness: Reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions.

Set of indicators:

The guidelines have an extensive set of indicators, which give details on the kind of data that should be included in reports. The indicators cover several areas, including economics, environment, human rights, labor, product responsibility and society. There is also guidance on unique indicators for particular industry sector (sector supplements) and country-level information. GRI provides special guidance for SMEs and microbusinesses and has several examples of reports produced by these guidelines.

Disclosure on Management Approach (DMA)

DMA provides best overview of the organization’s management approach to Aspects defined under each Indicator Category. Organization can structure its DMAs to cover full range of aspects under a given Category or group its responses on the aspects differently. However, disclosure should address all aspects associated with each Category. The DMA is intended to give the organization an opportunity to explain how the economic, environmental and social impacts related to Material Aspects are managed. The Guidance for
Disclosure - contains Reporting Principles, Standard Disclosures, and the criteria to be applied by an organization to prepare its sustainability report 'in accordance' with the Guidelines. The second part - Implementation Manual - contains explanations of how to apply the Reporting Principles, how to prepare the information to be disclosed, and how to interpret the various concepts in the Guidelines.

Transition to the G4 Guidelines from G3 and G3.1
GRI recommends that first time reporting organizations use the G4 Guidelines, even if they do not fulfill the requirements of the 'in accordance' options in the first reporting cycles. Reporting organizations using the G3 or G3.1 guidelines need to decide for themselves when to transition to the G4 Guidelines. For this reason, GRI will continue to recognize reports based on the G3 and G3.1 guidelines up to 2015. However, reports published after 31 December 2015 should be prepared in accordance with the G4 Guidelines.

Main features of the G4 guidelines
The G4 Guidelines have increased user-friendliness and accessibility. This means organizations and report users can concentrate on the sustainability impacts that matter, resulting in reports that are more strategic, more focused, more credible, and easier for stakeholders to navigate. Among many other features, key enhancements in G4 include:

- Up-to-date disclosures on governance, ethics and integrity, supply chain, anti-corruption and GHG emissions.
- Generic format for Disclosures on Management Approach (DMA).
- Two 'in accordance' criteria options, both focused on Material Aspects.
- GRI Content Index offering a transparent format to communicate external assurance.
- Technically-reviewed content and clear disclosure requirements.
- Detailed guidance on how to select material topics, and explain the boundaries of where material impacts occur.
- Flexibility for preparers to choose the report focus.
- Flexibility to combine with local and regional reporting requirements and frameworks.
- Up-to-date harmonization and reference to all available and internationally accepted reporting documents.

Sustainability Reporting Guideline under GRI
The Guidelines are developed through a global multi-stakeholder process involving representatives from business, labor, civil society, and financial markets, as well as auditors and experts in various fields; and in close dialogue with regulators and governmental agencies in several countries. The Guidelines are developed in alignment with internationally recognized reporting related documents, which are referenced throughout the Guidelines. The Guidelines are divided into two parts: one is Reporting Principles & Standard Disclosures and another is Implementation Manual. The first part - Reporting Principles and Standard Disclosures - contains Reporting Principles, Standard Disclosures, and the criteria to be applied by an organization to prepare its sustainability report 'in accordance' with the Guidelines.
How to prepare a sustainability report

Using the guidelines to prepare a sustainability report under GRI, there are some steps to be followed. For preparing sustainability report using the guidelines is an iterative process. The following steps describe how to use the guidelines in the sustainability reporting process. At the core of preparing sustainability report is a focus on the process of identifying material aspects - based, among other factors, on the Materiality Principle.

- An overview: Reporting principles and standard disclosures, definitions of key terms.
- Choosing the preferred ‘in accordance’ option: The two options are Core and Comprehensive, which has been described above.
- Preparing to disclose general standard disclosures:
  - Identifying the general standard disclosures required for the chosen ‘in accordance’ option. The general standard disclosures include: Strategy and Analysis, Organizational Profile, Identified Material Aspects and Boundaries, Stakeholder Engagement, Report Profile, Governance and Ethics and Integrity.
  - Checking if there are general standard disclosures that apply to the organization’s sector. (The GRI Sector Disclosures can be found at www.globalreporting.org/reporting/sector-guidance)
  - Reading the principles for defining reporting quality.
  - Planning the processes to disclose the general standard disclosures.
  - Consulting the information presented in the Implementation Manual for explanations of how to disclose the general standard disclosures.
  - Dedicating adequate time and attention to complete the general standard disclosures under the section ‘Identified Material Aspects and Boundaries’. These general standard disclosures are a central element of both ‘in accordance’ options, and should be disclosed for both.

- Preparation of Sustainability Report:
  - Presenting the information prepared
  - Electronic or web-based reporting and paper reports are appropriate media for reporting. Organizations may choose to use a combination of web and paper-based reports or use only one medium. For example, the organization may choose to provide a detailed report on its website and provide an executive summary, including its strategy and analysis and performance information, in paper form. The choice will likely depend on the organization’s decisions on its reporting period, its plans for updating content, the likely users of the report, and other practical factors, such as its distribution strategy.
  - At least one medium (web or paper) should provide users with access to the complete set of information for the reporting period.

<table>
<thead>
<tr>
<th>Categories and Aspects in the guidelines:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category</strong></td>
</tr>
<tr>
<td>Subcategories</td>
</tr>
<tr>
<td>Aspects</td>
</tr>
<tr>
<td>Employment</td>
</tr>
<tr>
<td>Labor/Management Relations</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
</tr>
<tr>
<td>Training and Education</td>
</tr>
<tr>
<td>Diversity and Equal Opportunity</td>
</tr>
<tr>
<td>Equal Remuneration for Women and Men</td>
</tr>
<tr>
<td>Supplier Assessment for Labor Practices</td>
</tr>
<tr>
<td>Labor Practices Grievance Mechanisms</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

The link between Sustainability Reporting and Financial Reporting:

Sustainability reporting complements financial reports with forward-looking information and the understanding of key value drivers, such as human
capital formation, corporate governance, management of environmental risks and liabilities. Sustainability reporting shows an understanding of the external environments (products, labour, and capital markets and regulatory structures) in which the company conducts its business. Besides, it assesses the elements that emphasize in the company’s competitive advantage (through cost leadership and product/service differentiation and the formation of intellectual capital). Sustainability reporting also discloses known future uncertainties (risks) and trends that may materiality affect financial performance.

The major differences between sustainability reporting and financial reporting are as under:

<table>
<thead>
<tr>
<th>Elements</th>
<th>Financial Reporting</th>
<th>Sustainability Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time-scale</td>
<td>The reported year</td>
<td>Future orientation</td>
</tr>
<tr>
<td>Focus</td>
<td>Issues that organization directly controls</td>
<td>Wider sustainability impacts</td>
</tr>
<tr>
<td>Economic view</td>
<td>Material</td>
<td>Intangible</td>
</tr>
<tr>
<td>Data</td>
<td>Financial</td>
<td>Non-financial</td>
</tr>
<tr>
<td>Materiality</td>
<td>Financial significance</td>
<td>Any information that is significant to readers</td>
</tr>
<tr>
<td>Users</td>
<td>Shareholders and investors</td>
<td>Stakeholders</td>
</tr>
</tbody>
</table>

**GRI G4 guidelines: Links with United Nations Global Compact (UNGC) 'Ten Principles', 2000:**

<table>
<thead>
<tr>
<th>Principle</th>
<th>GRI G4 Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 1</td>
<td>Businesses should support and respect the protection of internationally proclaimed human rights</td>
</tr>
<tr>
<td>Principle 2</td>
<td>Businesses should make sure they are not complicit in human rights abuses</td>
</tr>
<tr>
<td>Principle 3</td>
<td>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</td>
</tr>
<tr>
<td>Principle 4</td>
<td>Businesses should uphold the elimination of all forms of forced and compulsory labour</td>
</tr>
<tr>
<td>Principle 5</td>
<td>Businesses should uphold the effective abolition of child labour</td>
</tr>
<tr>
<td>Principle 6</td>
<td>Businesses should uphold the elimination of discrimination in respect of employment and occupation</td>
</tr>
<tr>
<td>Principle 7</td>
<td>Businesses should support a precautionary approach to environmental challenges</td>
</tr>
<tr>
<td>Principle 8</td>
<td>Businesses should undertake initiatives to promote greater environmental responsibility</td>
</tr>
<tr>
<td>Principle 9</td>
<td>Businesses should encourage the development and diffusion of environmentally friendly technologies</td>
</tr>
<tr>
<td>Principle 10</td>
<td>Businesses should work against corruption in all its forms, including extortion and bribery</td>
</tr>
</tbody>
</table>

**GRI G4: Corporate Corruption and Compliance**

Transparency International defines Corruption as 'the abuse of entrusted power for private gain' and covers individuals in the public or private sector. The GRI G4 framework includes reporting on corrupt practices such as bribery, fraud, extortion, collusion, conflict of interest, and money laundering. These activities are liable to result in an improper and illegal advantage to a business and adversely affect all pillars of the society and stakeholders.

**Banks involvement in environmental issues**

The banking sector has responded far more slowly than other sectors to the new challenges that sustainability presents. Bankers generally consider themselves to be in a relatively environmentally friendly industry (in terms of emissions and pollution). However, given their potential exposure to risk, they have been surprisingly slow to examine the environmental performance of their clients. A stated reason for this is still that such an examination would require interference with a client’s activities. The role of banks in contributing toward sustainable development is, however, potentially enormous, because of their intermediary role in an economy. Banks transform money in terms of duration, scale, spatial location and risk and have an important impact on the economic development of nations. This influence is of not only quantitative, but also of a qualitative nature, because banks can influence the pace and direction of economic growth.
Empirical research from 1990 concluded that banks were not interested in their own environmental situation or that of their clients. This situation is now changing. There is growing awareness in the financial sector that environment brings risks (such as a customer’s soil degradation) and opportunities (such as environmental investment funds). On the risk side, there has been an enormous rising of concern in the United States since the late 1980 as per act Comprehensive Environmental Responses, Compensation, and Liability Act (CERCLA).

A potentially Responsible Party (PRP) is a possible polluter who may eventually be held liable under CERCLA for the contamination or misuse of a particular property or resource; Under this act, four classes of PRPs may be liable for contamination under this act:

- the current owner or operator of the site.
- the owner or operator of a site at the time that disposal of a hazardous substance, pollutant or contaminant occurred.
- a person who arranged for the disposal of a hazardous substance, pollutant or contaminant at a site.
- a person who transported a hazardous substance, pollutant or contaminant to a site, who also has selected that site for the disposal of the hazardous substances, pollutants or contaminants.

Banks could, under CERCLA, be held directly responsible for the environmental pollution of clients and obliged to pay remediation costs. Some banks even went bankrupt under this scheme. Due to these developments, American banks became the first to consider their environmental policies, particularly with regard to credit risks. European banks were not exposed to these liabilities and only began to develop policies toward environmental issues during the mid-1990s. The focus here was less on risk assessment and more on internal environmental care and later the development of new products such as environmentally friendly investment funds.

Both risk and opportunity are now becoming established elements in banking policies towards the environment in different countries including Bangladesh. Empirical research from 1995 on the environmental activities of the signatories of the ‘UNEP Statement by Financial Institutions on the Environment and Sustainable Development’, which was launched in Rio showed that 80% of the respondents made some kind of assessment of environmental risks. An investigation amongst the signatories concluded that many banks have set up environmental departments and are developing environmentally friendly products. In Asia, South America and Eastern Europe, change is also under way, mostly through the influence of environmental standards from multilateral development banks. Strong evidence that sustainability reporting has now reached the mainstream of reporting activities in each year with financial reporting.

**Sectoral Sustainability Reporting for banks and financial institutions**

The Financial Services Sector Disclosures document is based on the ‘GRI Financial Services Sector Supplement (FSS)’. This Sector Supplement was issued in 2008 and developed based on the G3 Guidelines (2006). After launching G4 Guidelines in May 2013, the complete Sector Supplement content has been modified and reorganized in a new format to facilitate its use in combination and to fit with the G4 Guidelines’ content, structure and requirements.

The financial sector was segmented into four categories for the purposes of developing these Sector Disclosures, i.e. retail banking, commercial and corporate banking, asset management, and insurance. The table below outlines the working definitions used for these categories in developing the Sector Disclosures:

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail Banking</strong></td>
<td>This category refers to everyday high street banking including the provision of private and commercial banking services to individuals. It also includes banking for more affluent clients, including wealth management and portfolio management services (either on a discretionary or managed basis). It may also include everyday transaction management, payroll management, small loans, foreign exchange, derivatives, etc. for individuals in their business activity</td>
</tr>
<tr>
<td><strong>Commercial and Corporate Banking</strong></td>
<td>This category includes all transactions with organizations/business counterparts of all sizes, including but not limited to commercial and corporate banking, project and structured finance, transactions with small and medium enterprises (SMEs) and the provision of financial services to governments/government departments. It also includes corporate advisory services, mergers and acquisitions, equity/debt capital markets, and leveraged finance.</td>
</tr>
<tr>
<td><strong>Asset Management</strong></td>
<td>This category refers to the management of pools of capital on behalf of third parties. This capital is invested in a wide range of asset classes, including equities, bonds, cash, property, international equities, international bonds, alternative assets (e.g. private equity, venture capital, and hedge funds).</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>This category refers to both pension and life insurance services provided directly or through independent financial advisors to the general public and employees of companies. It also covers the insurance of products or services for businesses and individuals and re-insurance services.</td>
</tr>
</tbody>
</table>
Green Banking in Bangladesh and Sustainability Reporting

The banking sector in Bangladesh is considered to be in a relatively environmentally friendly industry (in terms of emissions and pollution). However, environmental impact of banks is not physically related to their banking activities but with the activities of the customers. Banking sector is one of the major sources of financing investment for commercial projects, which is one of the most important economic activities for economic growth and encouraging environmentally responsible investments and prudent lending.

Under special initiative of Dr. Atiur Rahman, Governor of Bangladesh Bank (i.e. central bank), Bangladesh Bank issued a circular on 27th February, 2011 (BRPD Circular No.2) on Policy Guideline for Green Banking towards banks stating, "to adopt a comprehensive Green Banking Policy in a formal and structured manner in line with the global norms so as to protect environment degradation and ensure sustainable banking practices." As stated by Bangladesh Bank, "Green Banking" generally refers to banking practices that foster environmentally responsible financing practices and environmentally sustainable internal processes minimizing GHG emissions. ("A greenhouse gas (abbreviated GHG) is a gas in an atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect. The primary greenhouse gases in the Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone."

Green Banking involves two pronged approaches: firstly, Green banking focuses on the green transformation of internal operations of all banks/FIs. It means all the banks/FIs should adopt appropriate ways of utilizing renewable energy, automation and other measures to minimize carbon footprint ("a carbon footprint is an estimate of the climate change impact of activity - such as making a product, living a lifestyle or running a company) from banking activities. Secondly, all banks should adopt environmentally responsible financing; weighing up environmental risks of projects before making financing decisions and in particular supporting and fostering growth of upcoming ‘green’ initiatives and projects. As per Bangladesh Bank’s circular there are three phases of green banking activities as under and the banks have to prepare sustainability report in standard format with external verification under GRI method.

Special remarks by Governor of Bangladesh Bank on Sustainability

Bangladesh Bank (BB) Governor Dr. Atiur Rahman made a presentation at the Third Advisory Council Meeting of UNEP’s Inquiry on 'Design of a Sustainable Financial System' held in Zurich, Switzerland on 05 May 2015. While giving his reflections on the findings of the UNEP Inquiry to design a sustainable financial system, Dr. Rahman opted for transition to long-termism and described BB’s engagement in reshaping financial system to support sustainable development in Bangladesh.

Regarding the Bangladesh context, the Governor of Bangladesh Bank pointed that Bangladesh Bank is one of the very few early recognizers of the longer term needs of inclusivity and environmental sustainability in its growth pursuits while successfully navigating the conventional short term business cycle focused monetary and financial policy approaches. Outlining BB’s approach to sustainable development, Dr. Rahman added that BB began with setting motivations right in the financial sector, followed by appropriate enablement & policy support within its mandated charter of developmental role. He further said, "in Bangladesh, we have found our sustained financial sector wide motivation campaigns as useful tool in ingraining a socially responsible institutional ethos of sustainable financing. This motivation effort needs to proceed hand in hand alongside other advocacy and leadership initiatives in embedding sustainable financing as a core element of financial markets development".

First sustainability report in banking sector under GRI G4 in Bangladesh

Prime Bank Limited that has shown leadership and foresight in publicly declaring a commitment to sustainability by publishing the first G4 Sustainability Report in banking sector in Bangladesh in March 2015 by publishing this report. Prime Bank has also completed the ‘Materiality Disclosure Service’ and has got permission to use ‘Materiality Disclosure Service Icon’ from GRI, the Netherlands, first time in Bangladesh. Some other banks are also working on this issue.

Sustainability Reporting and Bangladesh’s perspective

In Bangladesh, no impact study was conducted though some organizations including banking
industry have started to prepare the sustainability report and got high recognition internationally by this time. For the purpose of assisting, developing, measuring and reporting of the implementation of CSR/Corporate Sustainability (CS) there is exigent need for an independent organization in Bangladesh taking the vision and commitment in implementing and developing sustainable development through sustainability reporting process.

Sustainability Reporting Trend in the world

"Carrots and Sticks" (a publication of UNEP & GRI on sustainability reporting practices in the world) in its third edition in 2013 covered 45 countries and regions regarding practices of sustainability reporting all over the world. As per study, it has been seen observed that in the seven years of the series, the volume of policy and regulation has remarkably been increased. This includes a notable increase in the number of mandatory reporting measures. In 2006, 58 percent of policies were mandatory; now, more than two thirds (72 percent) of the 180 policies in the 45 reviewed countries are mandatory.

<table>
<thead>
<tr>
<th>Carrots and Sticks Publications</th>
<th>2006</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initiatives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory</td>
<td>35</td>
<td>58%</td>
<td>94</td>
</tr>
<tr>
<td>Voluntary</td>
<td>25</td>
<td>42%</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60</td>
<td>100%</td>
<td>151</td>
</tr>
<tr>
<td><strong>Countries &amp; Regions</strong></td>
<td>19</td>
<td>100%</td>
<td>32</td>
</tr>
</tbody>
</table>

Assurance Standards

GRI recommends the use of external assurance but it is not a requirement to be "in accordance" with the guidelines. There is no generally accepted standard for assurance. Internationally, many accountants use ISAE 3000 (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information) when undertaking assurance assignments on social responsibility or sustainability reports. ISAE 3000, published in 2005, is for professional accountants in public practice. It has two levels of assurance: "limited" and "reasonable". Another standard, the AA1000 assurance standard, published in 2003, provides a more specific framework for sustainability assurance and it has also used by non-accountants. AA1000 provides findings and conclusions on the current status of an organization’s sustainability performance and provides recommendations to encourage continuous improvement. It is not a certification standard that leads to pass of fail, but rather is designed to be used by organizations in different stages. AA1000 assurance also has two levels. In the "type 1 assurance", the assurance provider evaluates the nature and extent of the organization's adherence to the three principles of participation of stakeholders, materiality, and responsiveness. This provides limited assurance related to the way an organization manages sustainability performance and how it communicates this in a sustainability report. "Type 2 assurance" also evaluates the reliability of specified sustainability performance information. This information is selected based on the materiality determination and needs to be meaningful to the intended users of the assurance statement. However, the ISAE 3000 standard is commonly used for sustainability reporting assurance till now.

The SDGs and the post-2015 Development Agenda

The concept of Sustainable Development Goals (SDGs) was originally proposed by the governments of Colombia, Guatemala and Peru during the Rio+20 Conference in 2012. The UN member states at the conference agreed to launch a process to develop a set of SDGs. This process is intended to converge with a Post-2015 Development Agenda, following the expiry of the Millennium Development Goals (MDGs) in this year.

The SDGs due to be launched in September 2015, will embrace a triple bottom-line approach to human well-being, covering environmental, social and economic challenges and their ambition is to be global and inclusive.

GRI supports the view that the SDGs should be a universal set of goals that not only address issues under the responsibility of governments, but also those that fall under the responsibility of business and civil society. They will set the scene for a new era of sustainability and critically inform the sustainability context in which all actors operate.

Businesses will be encouraged to contribute to the sustainable development agenda and be expected by governments to collaborate in the implementation of the SDGs. Measuring and reporting will be a key element here, therefore there is an opportunity for GRI to contribute with its expertise on corporate sustainability and reporting and offering the GRI Guidelines, a free public good which represents the global standard on sustainability reporting.

GRI joined forces with the United Nations Global Compact (UNGC) and the World Business Council for Sustainable...
Development (WBCSD) to develop private sector guidance that will help companies enhance their sustainability management and reporting with a view to global sustainable development goals and targets. The Alliance partners will work together to add a chapter to the GRI’s global standard to make the connection to the forthcoming Sustainable Development Goals (SDGs).

**World Bank GRI Report for the fiscal 2014 (July 2013 - June 2014)**

The World Bank supports the Global Reporting Initiative (GRI) and is one of the GRI Chapter Group of founding members. The World Bank has prepared the sustainability report in accordance to the GRI G4 guidelines: core option and provides an overview of sustainability considerations within the World Bank's lending and analytical services as well as its day-to-day operations and management of staff. Their aim to be comprehensive in their reporting and thus include indicators from GRI’s Financial Sector Supplement. Interested concerns may also take a view of the Report at: ([https://crinfo.worldbank.org/wbcrinfo/sites/wbcrinfo/files/GRI%20Annex%202010-214.pdf](https://crinfo.worldbank.org/wbcrinfo/sites/wbcrinfo/files/GRI%20Annex%202010-214.pdf))

**Challenges for implementing sustainability reporting**

**Awareness:** Many accountants simply don’t see sustainability as relevant to their job. The first step is to raise awareness about their crucial role and provide them with further resources and training at all levels to allow them to incorporate these issues into works.

**Quantifying the qualitative:** There are many difficulties in estimating the costs of environmental and social issues across the full lifecycle of a product or process. And it is sometimes more difficult to measure for service industries like banks and financial institutions.

**Moving from costs to revenues:** There is a need to move beyond seeing environmental initiatives and values as just costs to be suffered or costs to be reduced at the first possible opportunity. Companies need to identify the business benefits, and ultimately profits, that correspond to the costs that must be incurred for better environment and social performance.

**Consumers:** Responsible companies have competitors who often price their goods below their production cost, discounting the social and environmental costs. In some cases managers who price their goods and services based on full social and environmental costs will suffer until consumers recognize this in their purchasing decisions.

**Traditional accounting systems:** Traditional accounting system were not designed to enable environmental data to be separately identified or evaluated -such as data on waste management, compliance with laws, insurance. There is need for more robust information, data, methodologies, and collection systems to allow for more integration of these factors into decision.

**Assets versus costs:** Using traditional accounting methods, end-of-pipe technologies to reduce environmental impacts are accounted for assets, while attempts to eliminate sources of pollution at the source appear as costs. Similarly, investments in training and development are recorded as costs, while the collective knowledge and experiences not recorded as an asset.

**Short-term versus long-term:** There is need to shift the mentality and accounting practices to look more at the long-term effects, as opposed to simply short-term implications of decisions. The challenge is to incorporate longer-term, less tangible environmental and social costs into the balance sheet rather than just measuring short-term tangible merits.

**Information not tracked adequately or not available:** Available information is often not sufficiently accurate or detailed for decision-making purposes. Sometimes, the information is not collected, but stays within different divisions of the company, where the accountants may never even become aware of its existence.

**Comparability of data:** Company disclosures on sustainability issues are often inconsistent and difficult to compare across a single industry. Several sustainability threads are common to all sectors and should be reported consistently across industries.

**The Future of Sustainability Reporting: The Way Forward**

Governments around the world have already taken remarkable steps to make sustainability reporting a standard practice to reach sustainable development. Thousands of organizations in the world are now reporting on their economic, social and environmental performance, showing that sustainability reporting adds value.

The government of Bangladesh has to encourage
Capacity Building: This is an urgent need to develop in-house capabilities to assess impact of operations in an objective manner, and measure and monitor such capabilities, as mitigation strategies are implemented. Now, the educational institutions are expected to customize their programs to include sustainability as a discipline and Bangladesh should focus on industry-university linkages to develop an institutionalize knowledge base.

Synchronizing reporting guideline with local conditions: It is very sensitive to describe materiality disclosure including some other indicators of the company as per GRI guidelines within the present local corporate structure in Bangladesh. It requires synchronization in Bangladesh’s context based on GRI framework, globally acceptable framework, in all sectors including small & medium enterprises.

Government’s initiative: The government can be a catalyst for ensuring speedy adoption of sustainability through policy initiatives immediately pave the way for a sustainable society committed to sustainable development.

Civil Society: It is well accepted that the competitiveness of a company and the well being of the communities around it are inseparable.
successful community can create demand for products and can also provide a supportive environment to business.

Conclusion

Sustainability reporting is being emerged as a common practice of 21st-century business. Where once sustainability disclosure was the province of a few unusually green or community-oriented companies, today it is the best practice employed by companies worldwide. A focus on sustainability helps organizations manage their social and environmental impacts and improve operating efficiency and natural resource stewardship, and it remains a vital component of shareholder, employee, and stakeholder relations.

Peter Drucker, writer, professor and management consultant, told, "What you can't measure, you cannot manage. What you can't manage, you cannot change". Sustainability reporting is therefore a vital step for managing change towards a sustainable global economy-one that combines long-term profitability measuring social justice and environmental care. And a dedicated sustainability report is a reflection of the company’s commitment to the issue of sustainability, which helps companies and their stakeholders identify a comprehensive reference point for reporting, thereby aligning many of their CSR initiatives with goals that can be measured and monitored.

Mahatma Gandhi said, "Earth provides enough to satisfy every man’s need, but not every man's greed". By 2050, if current consumption and production patterns remain the same and with a rising population expected to reach 9.6 billion, we will need three planets to sustain our way of life. As such, living well within planetary boundaries with limited resources giving up our greedy lifestyle will be the most promising strategy for ensuring a healthy and sustainable future for our next generation. I humbly quote:

"A new child is born; we will have to make room for him.
I shall make this world a habitable place for him to live in." - Shukanta Bhattacharya

References:

"Carrots and Sticks - Sustainability Reporting Policies Worldwide-today’s best practice, tomorrow’s trend" (2013 edition, Published by UNEP and GRI).

"Small, Smart and Sustainable - Experiences of SME Reporting in Global Supply Chains." (a GRI publication).


"Sustainability Reporting and SMEs: A closer look at the GRI published by Strategic Sustainability Consulting."

"The future of corporatereporting: toward a common vision" published by KPMG International.

GRI website: https://www.globalreporting.org

Sustainability Reporting-Practices and trends in India (2012).

Theme of World Environment Day 2015: http://www.unep.org/wed/2015_slogan/

Empowering green initiatives with IT: A strategy and implementation Guide by Carl H. Speshock.


(Sustainability Report: Sustainable Earth), published in BonikBarta, Bangladesh, November 14, 2014

How sustainability reporting is making a good journey (https://www.globalreporting.org/resourcelibrary/Starting-Points-2-G3.1.pdf)


"Don’t walk behind me; I may not lead.
Don’t walk in front of me; I may not follow.
Just walk beside me and be my friend."

- Albert Camus