

**The Report of
GRI(Global Reporting Initiative)
Symposium & workshop**

Date: 16-17 December 1999

Place: Chuo Univ. Surugadai Kinenkan,

Kanda-Surugadai, Chiyoda-ku, Tokyo

The host organizations: EARG (Environmental Auditing Research Group),
GRI(Global Reporting Initiative)

The supporting organization: Japan Environment Agency,
Japan Environment Corporation

The approving organizations: Network for Environmental Reporting(NER),

Environmental Auditing Research Group

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GRI(Global Reporting Initiative) Symposium

Globally common framework for sustainability reporting

The EARG (Environmental Auditing Research Group) GRI Team is holding a Symposium on GRI and Corporate Sustainability reporting to coincide with Dr. Allen White's visit to Japan. Dr. Allen White is the Vice Chair of GRI Steering Committee. The Global Reporting Initiative (GRI) was established in late 1997 with the mission of designing globally accepted guidelines for preparing corporate sustainability reports.

The GRI is convened by CERES (Coalition for Environmentally Responsible Economies) and incorporates the active participation of corporations, non-governmental organizations (NGOs), international organizations/UN agencies, consultants, accountancy organizations, business associations, universities, and other stakeholders from around the world.

In March 1999, GRI released its Exposure Draft Guidelines for comment and pilot testing. Dr. Allen White, who is also the Vice President of Tellus Institute Stockholm Environment Institute/Boston and Vice Chair, GRI Steering Committee, and is actually responsible for designing the guidelines, will deliver the keynote speech at the symposium. (Simultaneous interpretation to Japanese will be provided).

Date: 13 : 00-16 : 45 on December 16, 1999 (Thursday)

(registration will be started at 12 : 30)

Place: 2nd Floor,

Chuo Univ. Surugadai Kinenkan, Kanda-Surugadai, Chiyoda-ku, Tokyo

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GRI(Global Reporting Initiative)

The supporting organization: Japan Environment Agency

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The approving organizations: Network for Environmental Reporting(NER),

Japan Environmental Management Association for Industry(JEMAI)

Attendance fee: JPY 2,000(including the cost for handouts and the Exposure Draft Guidelines with the Japanese translation)

The seating capacity: 300

Timetable:

- 13:00 Welcome speech: Masao Kawano (Professor Yokohama national University, Adviser of EARG)
Introduction (about GRI): Tomoko Kurasaka, Co-Chair EARG, Accountant
- 13:15 Key-note speech Dr. Allen White,
"A Common, Global Framework for Corporate Sustainability Reporting"
Key-note speech KOJI YAMAGUCHI
General Manager Environmental Management Division NEC Corporation
Co-Chair, Network for Environmental Reporting
"What is Corporate Sustainability and Why Report on it?" (tentative subject)
- 14:45 Break
- 15:00 Panel Discussion
Subject: "Why should corporations report on sustainability performance?"
Coordinator: Dr. Allen White
Toshihiko Goto, Co-Chair EARG, Member of GRI Steering Committee
Panelists:
Mariko Kawaguchi (Daiwa Institute of Research, Senior Consultant, CMA)
Tada Hiroyuki (Manager Planning Office Corporate Environmental Affairs Sony Corporation)
Akira Yamaguchi (Founder and President, KST-Hokkaido Founder and President, Winter Research Institute)
Tatsuo Yoshida (KIRIN BREWERY COMPANY,LIMITED Director General Manager Environmental and Consumer Affairs)
Masanobu Wada (General Manager Environmental and Safety Engineering Department Nissan Motor Co.,Ltd)
- 16:00: Q&A
- 16:30: Wrap-up
- 16:45: Closing Hiroyoshi Yabe (Professor Chuo University, Adviser of EARG)
Note: This symposium is supported by the Japan Fund for Global Environment of Japan Environment Corporation)
(Simultaneous translation by Ms. Junko Edahiro and Ms. Hanako Kaku)

Application

EARG secretariat

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Opening

Moderator (Ms. Tomomi Murakami, Environmental Auditing Research Group) :

Thank you for coming to the GRI seminar today. This symposium is hosted by the Environmental Auditing Research Group and GRI. Today, we have with us Dr. Allen White, who created the idea of sustainability reports. Today's symposium is also co-sponsored by the Environment Agency of the Japanese government, Network for Environmental Reports and Japan Environmental Management Association for Industry. Also this symposium have received a subsidy in 1999 by the Japan Fund for Global Environment of Japan Environment Corporation).

First of all, I would like to ask Professor Masao Kawano of Yokohama National University, an advisor to this Environmental Auditing Research Group, to give us opening remarks.

Greeting remarks

Masao Kawano (Professor, Yokohama National University):

Thank you for your introduction. I am Kawano, advisor for the Environmental Auditing Research Group. Thank you for coming to today's meeting despite of your busy schedule toward the year-end. I would like to express my heartfelt gratitude for the Environment Agency and other organizations for their supports.

In recent years, more than 200 companies have published environmental reports in Japan. And a bigger number of companies have published such report abroad, in particular in Europe due to EMAS requirement.

Given this background, comparability and reliability of information in environmental reports have attracted much attention. We can find overseas papers on this issue. Today we are having a lecture from Dr. Allen White, who is one of the key persons of GRI. GRI is proposing the guidelines, though still in a draft stage, for production of corporate sustainability reports that include economic, social and environmental aspects. And some proposals have been made on possible mechanisms to guarantee information, more specifically, verification or third party review schemes.

I am a member of workshop group on promotion of environmental reports at the Environment Agency. At the workshop, we discussed guidelines for

environmental reports and third party certification and we published our report at the end of November. I am personally interested in these issues and this is why I have been looking forward to listening to lectures given by Dr. Allen White and Mr. Yamaguchi of NEC as well as following panel discussion.

There are many possibilities as for contents for environmental reports. But at present, companies publish environmental reports just on a voluntary basis. I think each company sets their own criteria for their environmental reports. But comparability will become one of the focal points in the future. With such background information in mind, I hope you can participate in today's symposium to the end.

Moderator:

Now I would like to ask Ms. Tomoko Kurasaka, one of the chief representatives of the Environmental Auditing Research Group, to give us an outline of GRI.

Introduction: What is GRI?

Ms. Tomoko Kurasaka:

Thank you for introduction. I am Kurasaka, one of the two chief representatives of the Environmental Auditing Research Group. Ladies and gentlemen, thank you for joining us today. Let me first introduce our Environmental Auditing Research Group. This group is a voluntary organization, founded in 1991. In those days, environmental auditing was not something familiar to us, so we started to learn about environmental auditing. In later years, the targets of our group have been expanding to cover environmental management and environmental reports. In the field of environmental reports, we have conducted case studies and we also cooperate in the selection of excellent environmental reports awarded by the Japan Environment Agency.

Now I would like to give you a brief introduction of GRI. GRI was established two years ago, in fall of 1997, to create global guidelines for environmental reporting. The initiator was CERES, an American NGO. And UNEP, Sustainability in UK, GM and other companies who have produced environmental reports, WBCSD, a federation of companies, UK Association of Chartered Certified Accountants, companies and other stakeholders in this field responded to the initiative. They have held meetings in order to produce global guidelines. As a result of their discussions, they decided not to produce guidelines

for environmental reports but decided to create guidelines for sustainability reports that include social and economic aspects in addition to environmental aspect. In March 1999, the exposure draft of Sustainability Reporting Guidelines for public comment and pilot testing was released.

Upon releasing the guidelines, GRI began pilot studies by recruiting companies who wish to use the guidelines for their reports. More than 20 companies around the world have expressed their willingness to participate in this pilot study. Already Bristol-Myers-Squibb and GM in the United States published their reports based on the guidelines. In Japan, two companies said they would like to participate. One of the two companies is NEC. And we are having a keynote speech from Mr. Yamaguchi, General Manager Environmental Management Division NEC Corporation. The other Japanese company is KST. Today we have Mr. Yamaguchi, the founder of the company, as panelist at our discussion table.

Now, let me introduce Dr. Allen White of Tellus Institute, who is giving the first keynote speech. He has been involved in GRI activities from its inception and he is one of the key members at GRI. Today, we can learn from him about GRI guidelines as well as GRI activities.

After GRI released the exposure draft guidelines, they ask feedback from companies that use the guidelines for their reports. At the same time, GRI is seeking input and opinions from producers of environmental reports, companies, as well as users, stakeholders. Based on such input and feedback, GRI is going to produce the first version of the guidelines by spring 2000. I hope, after the symposium, you can give your input about the guideline to GRI. Thank you very much.

Moderator (Ms. Murakami):

Now, we would like to call Dr. Allen White to give a lecture under the title of “global framework for corporate sustainability reporting”. Dr. Allen White joined Tellus Institute in 1992 and he has managed commissioned researches from US EPA, state governments, companies, World Bank and other international institutes. At the same time, he has been actively giving lectures and writing on corporate environmental strategies, environmental accounting and environmental reports. At present, he is the director of risk analysis group and serves as vice president of Tellus Institute. Also he is at the core of GRI as Vice Chair, GRI Steering Committee. Dr. Allen White, the floor is yours. Please.

Keynote Speech

CORPORATE ACCOUNTABILITY IN THE 21ST CENTURY:
THE GLOBAL REPORTING INITIATIVE

DR. ALLEN L. WHITE

Vice President, Tellus Institute

Vice Chair, Steering Committee, Global Reporting Initiative

Tokyo, 16 December 1999

Ladies and Gentlemen:

On behalf of the Secretariat of the Global Reporting Initiative, it is my distinct pleasure and honor to have the opportunity to speak to this distinguished group of Japanese colleagues on the occasion of my visit to Japan. I bring to you warm greetings from colleague Dr. Robert K. Massie, Chair of the GRI, as well as the United Nations Environment Programme, the World Business Council for Sustainable Development and all of our key partners in this historical process. I would like to extend a special thanks to Mr. Toshihiko Goto, a member of the GRI Steering Committee, who has been the principal organizer of my visit to Japan. Mr. Goto, and his colleagues at the Environmental Auditing Research Group, have been critically important contributors to the GRI process for the last two years. We are very grateful for all his efforts in bringing GRI to where it is today.

[slide 1—Quote from Peter Drucker]

“There is Only One Economy and
One Market”

Peter Drucker
November 1999



At the dawn of the 21st century, we observe a world that is changing rapidly and in ways that few predicted even a decade ago. Global commerce is accelerating, as the flow of goods, services, people, capital and technology cross national frontiers with increasing volume and speed. As Peter Drucker recently observed referring to the phenomenal rise of e-commerce, “There is only economy and only one market.”

Globalization is both a cause and a result of interdependence. Whether it is population movements, emissions of greenhouse gases, genetically modified foods, loss of biodiversity, or new telecommunications technologies, we live in a world where ideas and impacts move with increasing speed and freedom. This planetary phase of world development, characterized by intensive connectivity across borders and people, has created what one observer calls “the death of distance” and others call “the blur economy.”

The role of business, and the consequences for business, in this transformation are profound. Transnational private sector investment now vastly exceeds multi-lateral investment as the primary engine of economic development. In the global economy, it is increasingly difficult to distinguish a “nationality” of corporations as mergers, acquisitions, alliances, and joint ventures redraw the map of global corporate activity. This is not to say corporate cultural differences are disappearing. The governance, financing, innovation, investment and other practices continue to show distinctive national qualities when comparing, for example, U.S., German, and Japanese firms. These differences undoubtedly will endure for many years to come. At the same time, the forces of globalization are driving corporations to behaviors which increasingly resemble each other. It also is driving corporate stakeholders – investors, labor organizations, environmental groups, customers, and managers themselves – to ask: What are the new rules of the game? Who is in charge? What forms of governance are necessary to ensure balance between private and social benefits in the next century?

Fueling the globalization of business is the information revolution and the knowledge-based industries. One need only observe the market capitalization of knowledge-based US firms to obtain a glimpse of the future world economy. Firms such as Microsoft and the hundreds of “dot.com” enterprises now command leading positions in market capitalization. Their wealth is firmly rooted in knowledge and services, and has very little to do with physical assets. Similarly, even “mature” industries such as automobiles and chemicals show signs of transformation into more knowledge and service-based enterprises.

[slide 2 Quote from Thomas Friedman]

“A DuPont official told me that in the old days, if DuPont wanted to put a chemical factory in a city, it knew it had to persuade the local neighbors. Now we have six billion neighbors.”

Thomas Friedman
New York Times
1 December 1999



Globalization of commerce and information technology are reshaping not only what and how business produces goods and services, but how business interacts with its stakeholders – customers, investors, employees, communities, environmental activists, and others. Mutual fund managers in New York track the performance of Japanese companies to inform decisions on portfolio management of international equity funds. Apparel firms such as Nike and Levi Strauss face aggressive scrutiny by human rights and labor organizations in relation to outsourcing practices, thereby jeopardizing years of building strong brand equity nurtured over years of marketing and so essential to financial success in the consumer products industries. And large corporations such as DuPont face challenges of new factory location. Each controversial proposal is now not simply scrutinized by local communities and government, but by environmentalists around the world. The power of the internet has empowered stakeholders beyond what anyone could have imagined even five years ago. The “CNN World,” in the words of one Shell Corporation official, has created an unprecedented public awareness of how corporations operate in any corner of the globe.

What is the result of this connectivity? Management mishaps at facilities at locations 10,000 miles from headquarters become next-day headlines in the world’s business press, creating anxieties among investors, discontent among customers, and

activism among environmental campaigners. The well-documented incidences involving Royal Dutch Shell's alleged human rights violations in Nigeria and ocean disposal of surplus drilling equipment in the North Sea lead to public demonstrations and condemnation of the corporation. This occurred even as the company believed it was exercising great care in managing its Nigerian operations and environmental impacts of its North Sea operations..

[slide 3 Three examples from New York Times]

The Globalizing Economy

- "First came the shock of the \$127.7 billion hostile takeover offer for Mannesmann . . . by Vodafone Airtouch of Britain"
- "Morgan Stanley Dean Whitter prices the first set of bonds linked to non-performing Japanese real estate loans [estimated to be] at \$766 billion to \$957 billion . . . in bad debt"
- "Talisman Energy of Canada, despite flush earnings this year, see company stock lagging after attacks by pension funds for operations in Sudan whose government is accused of genocide and other abuses of human rights."

Business Section
New York Times
26 November 1999



This kind of globalization of information, capital, technology and labor manifests itself every day. In a single day, the New York Times reports cases of : first, a hostile takeover attempt of Britain's Vodafone AirTouch of Germany's Mannesmann, shaking up Germany's century old "consensus economy" which carefully balances investor, labor and management's interests; second, an American investment banking firm creating a market solution to bring new investors and liquidity to Japanese banks' nonperforming real estate loans; and third, a Canadian firm doing business in strife-torn Sudan seeing its stock price fall in the face of institutional investors opposed to Sudanese civil and human rights violations. The transnational nature of investment, information, and management decisions will only intensify in the next decade.

As these trends shape business in the 21st century, it is clear that globalization offers more than just rich business opportunities. It also represents business risk and business responsibility. From a risk perspective, transnational corporations now must live with the reality that risks – like opportunities – move increasingly freely and rapidly across national frontiers. Operating in the next decade and beyond will require management of risk associated with government regulations, cultures and customers thousands of miles away from corporate headquarters. And such risk will not be limited to core company operations. They will extend up and down the value chain as public expectations for responsible behavior extend to suppliers and distributors of company product and services.

From an accountability perspective, the world is changing with equal speed and complexity. Companies no longer have the option of operating in an information vacuum. Accountability -- the duty to measure and disclose performance information to all company stakeholders—not just shareholders – is rising rapidly on the corporate agenda. Some pressures come from within the firm – traditional financial measures such as net earnings and return on investment simply do not provide managers with the leading indicators they need to exercise forward-looking management decisions around new technologies, products and services. Other pressures are external, originating with institutional investors, customers, and NGOs dissatisfied with narrow limits of traditional performance indicators.

In this new world, accountability is not simply a matter of better financial reporting, though this of course is part of the picture as international accounting bodies seek to harmonize financial reporting requirements. But the new “triple bottom” line – economic, environmental, and social – underlies the expectations of external stakeholders and is slowly but steadily moving into the corporate boardrooms and management structures. It is part of the transition to the global reconfiguration we referred to earlier, a process of redefining the role of corporations in society and the benchmarks, indicators, and metrics we need to track progress toward this transformation.

The Global Reporting Initiative

[slide 4- “A Common Framework....”]



Against this backdrop of the enormous changes in the roles and responsibilities of corporations, the Global Reporting Initiative was formed in late 1997. Convened by the U.S. NGO CERES - a coalition of investors, labor and environmental organizations, GRI quickly has grown into a major international movement in partnership with the United Nations Environment Programme (UNEP), business organizations, investors, environmentalists, labor and human rights organizations.

[slide 5 GRI mission]



GRI's mission is both bold and essential as we enter the next century. It seeks to create a new set of rules for corporate disclosure of environmental, social and economic information; to elevate such reporting to a level of credibility equivalent to financial reporting; and to create a permanent, independent, international institution of the highest integrity to carry forward this vision into the future. In short, GRI seeks to establish a new set of international "rules of disclosure" to advance corporate accountability commensurate with the needs of a connected, interdependent, global society.

Pause for a moment. Imagine that within the next 5-10 years, every corporation operating in any country routinely reports its environmental, social, and economic performance in a uniform framework using, at minimum, a number of common indicators to enable comparisons and benchmarking. In my scenario, such reporting is not merely a best practice – it is a general, universally accepted practice, just like Generally Accepted Accounting Practices is to financial reporting, leading to routine, credible, comparable, and consistent reporting of financial information by public companies today. That, in short, is the GRI mission.

[slide 6 GRI Steering Committee]

GRI Steering Committee Members -- July 1999

Association of Chartered Certified Accountants
Centre for Science and Environment
Investor Responsibility Research Center
UNEP Division of Technology, Industry & Economics
CECODES
SustainAbility
ITT Flygt
Environmental Auditing Research Group
New Economics Foundation
UBS AG
E2 Management Consulting
World Business Council for Sustainable Development
CERES, GRI Steering Committee Chair
General Motors Corporation
Council on Economic Priorities
World Resources Institute
Green Reporting Forum
Tellus Institute/SEI Boston
Canadian Institute of Chartered Accountants
Institute for Social and Ethical Accountability



For two years, GRI has been governed by a distinguished international Steering Committee comprising a mix of business, government, accountancy, and NGO organizations. GRI's work has been supported by major philanthropic foundations. In November, the United Nations Foundation awarded a \$3 million grant to UNEP to support the continuing work of the GRI. This is supplemented by the MacArthur and

other foundations. As GRI enters a two year transition phase during 2000-2001, a new Board of Directors comprising the same balanced, multi-stakeholder mix of representatives will assume responsibility for GRI. At the same time, a larger international advisory council will bring to GRI the perspectives of both developed and developing countries.

[Slide 7 Illustration of future,confused situation] (Slides are not included.)

Why has GRI attracted so much attention in so little time? The reason is in part linked to the frustration of both reporting companies and report users. While pressures for disclosure are mounting, there are no generally accepted reporting rules. Companies worldwide produce environmental and sustainability reports by the hundreds -- at least 1,500 companies worldwide, with about 300 in Japan alone, including East Japan Railway, Kirin Brewery, Seiyu, SONY, Tokyo Electric Power Company, and Toyota, to name a few. Large companies, meanwhile, receive dozens of requests for information from investment groups, NGOs and other interested parties. At the same time, external users --investors, rating agencies, consumers, NGOs--seek information that is consistent and comparable, as well as verified. Essentially, they find none of these.

[Slide 8 Illustration of future with consistent , comparable reports]

(Slides are not included.)

All parties need a set of rules, of guidelines, to serve both companies and their stakeholders. They need a generally accepted structure and a legitimate process -- balanced among business, NGOs, government and other groups-- to create and sustain an entity that will allow reporting to become a key instrument of accountability in the next decade. If we continue in a business as -usual fashion, we will continue to see continuing increase in information volume, but fail to see an increase in information value. This is a future that serves nobody's interests.

[Slide 9 Pilot test companies (2 slides)]

Pilot Test Enterprises as of June 1999 (1)

<u>Company</u>	<u>Primary Industry</u>	<u>Country</u>
• Baxter International	Medical products and services	USA
• The Body Shop Int'l	Personal care products	United Kingdom
• Bristol-Myers Squibb	Pharmaceuticals & consumer products	USA
• British Airways	Air transport	United Kingdom
• Eastern Group	Energy	United Kingdom
• Electrolux	Appliances	Sweden
• ESAB	Welding consumables & equipment	Sweden
• Excel Industries, Ltd.	Chemicals	India
• Ford Motor Company	Vehicle manufacture	USA
• General Motors	Vehicle manufacture	USA
• HenkelChemicals	Consumer Products	Germany



Pilot Test Enterprises as of June 1999 (2)

<u>Company</u>	<u>Primary Industry</u>	<u>Country</u>
• Henkel Chemicals	Consumer Products	Germany
• ITI/Flygt	Pumps and valves	Sweden
• KST Hokkaido	Construction	Japan
• NEC Corporation	Information technology	Japan
• Novo Nordisk	Pharmaceuticals	Denmark
• Procter & Gamble	Consumer products	USA
• Riverwood International	Paper packaging	USA
• SASOL	Petrochemicals	South Africa
• Shell	Petroleum, petrochemicals, energy	UK/The Netherlands
• Sunoco	Petroleum	USA
• VanCity SavingsCredit Union	Financial services	Canada



In March 1999, GRI released an Exposure Draft of its reporting guidelines. Twenty-two companies from around the world volunteered to test this draft, providing GRI with feedback on their strengths, limitations, and directions for improvement. As the companies test these guidelines, GRI has launched a process to engage stakeholders in environmental, human rights, and labor organizations. These groups

also will provide GRI with feedback in time for revision of the guidelines in Spring 2000. Briefings for business and external stakeholders in Germany, Netherlands, Canada, Sweden, UK, Taiwan and Japan, followed by India and Mexico in the next several months, will strengthen this feedback process. We are striving to build a process that is transparent and balanced, where all voices are heard. It is the only route to achieving the legitimacy that GRI seeks.

Our timeline is ambitious, but thus far we have been able to deliver what we have promised thanks to the broad, energetic support by all GRI participants from UNEP, business, NGOs, accountancy groups, investor groups, and others. Following the March 1999 release of the Exposure Draft Guidelines, we will soon complete the pilot phase. In Spring 2000, after a thorough review of all feedback and posting of numerous interim revised document on the website <http://globalreporting.org>, a Version 2000 will be released. In November, a major symposium will be held in Washington modeled after the highly successful London symposium in March 1999. We will continue the process of building a permanent institutional home for GRI through early 2002, when the new entity will be created.

Conclusion

[Slide 10 Quote from Kofi Annan]

Without the private sector's active commitment and support, there is a danger that universal values [of human, labor and environmental rights] will remain little more than fine words... we have to chose between a global market driven by calculations of short-term profit, and one which has a human face.

Kofi Annan
Secretary General
United Nations
January 1999



GRI is an historic process, one with long term implications for the well-being of the global community for many years to come. With breathtaking changes we have seen in the last decade will continue to reshape our economy, our communities, and our institutions in profound and permanent ways. The forces of globalization are irreversible, yet we have barely begun to imagine what kinds of global institutions and partnerships are needed to achieve a sustainable future for our generation and those that will follow.

Nonetheless, the contours of a new international corporate governance regime is discernible. It will be built on three key pillars. First is a set of human, labor and environmental rights that are universally accepted by corporations everywhere, reflecting those already embodied in international charters and agreements such as the Universal Declaration of Human Rights, the International Labor Organization Declaration on fundamental principles and rights at work, and the Rio Declaration of the UN Conference on Environment and Development. These values, as UN Secretary General Kofi Annan observed earlier this year, are the underpinnings of a social and political stability that is a precondition for the global economy to function as an effective engine of world development. They give a “human face” to the global market. In Japan, with its longstanding sense of the common good, social safety net, together with the early 1991 effort by the Japan Federation of Economic Organizations to create a Charter for Good Corporate Behavior -- all these suggest that Japan is well -positioned to play a leadership role in shaping the “human face” to which the Secretary General refers.

Second is a new set of rules for international transactions of all kinds, rules built on trust and transparency that enable sellers and buyers in free markets to fully grasp the terms and conditions of their engagement. At this time, as demonstrated at the recent turmoil at the World Trade Organization meeting, we are just beginning to understand how difficult, yet urgent, such rules are.

Third is an information-rich environment, not just between sellers and buyers in the global market, but between all stakeholders – investors, communities, labor, NGOs – all those with a stake in corporate decisions and operations. Information is the lubricant of free markets. When it is deficient -- untimely, incomplete, not credible – there is little prospect of achieving the full potential of free markets, In contrast, when information is timely, complete, and credible, a precondition for successful free markets is in place. In Japan, we see encouraging signs in this direction, for example, the new chemical and pollutant reporting law and the

environmental reporting initiative recently launched by MITI along with the Agency of Industrial Science and Technology, Japanese Industrial Standards Committee, and the Japan Environmental Management Association for Industry. Bringing this kind of transparency to all aspects of corporate operations – the environmental, social, and economic – and to do so within a generally accepted, common framework at the international level, is the mission of the Global Reporting Initiative.

Let me thank you again for the opportunity to share these thoughts with you. Japan's participation in this historic process is indispensable to its success. We enthusiastically invite you to bring your experience and wisdom to this great venture.

Moderator:

Now, we are listening to the second keynote speech. Mr. Koji Yamaguchi, General Manager Environmental Management Division NEC Corporation and one of the chief representatives of “Network for Environmental Reporting”, will give his speech under the theme of “Environmental Information Disclosure at NEC”.

Keynote Speech

Mr. Koji Yamaguchi (Slides are not included.)

Thank you for introduction. I am Yamaguchi of NEC and I am one of chief representatives of “Network for Environmental Reporting”. Today, I would like to talk about how NEC's thinking of environmental information disclosure and I also share with you the kinds of media we are using and our objectives of disclosure efforts. The Network for Environmental Reporting is a forum to exchange information related to environmental reports. There are, in fact, various ways by which companies disclose their environmental information. Environmental report is one of such ways and it is an annual report on environment. Today, I would like to speak of how NEC thinks of its environmental information disclosure and specific contents of environmental information that NEC discloses.

We, companies, have social responsibility and duty to disclose various kinds of information through corporate activities to wide range of audience including consumers, stakeholders and authorities. Let me be specific about the contents of such information. First, we have sales, profits and other information related to business performance. These kinds of information can be seen from

outside and we publish such information in the form of financial statements. The second category of information that can be seen from outside is information about products and services. Take the example of PC (personal computer), the flagship product for our company. A product tells you about performance, degree of “easy-to-use” and functions. We disclose such information under our responsibility. The point here is how to communicate information that is difficult to see and understand from outside. Information on environmental conservation and health/safety is among difficult kinds of information to grasp from outside.

I would like to dare to say that the primary objective of environmental information disclosure to outside is to energize internal activities as driving force in environmental conservation activities. Making commitment to outside world motives our company internally because we really feel we have duties and responsibility to move toward the commitment we made. Also, in order to reactivate environmental activities, benchmarking should be done by comparing with information about other companies. Thirdly, we have to become able to have dialogue with people outside our company. Fourthly, we have to meet our responsibility to explain our environmental management activities to outside people. And lastly, through the previous four objectives, we try to create our corporate image as a open-minded company. We are using various media to disclose our information.

There are several necessary factors in disclosing information to outside people. First of all, and needless to say, specific activities should be taking place at the company. Otherwise, you cannot disclose your information even though you wish to do so. Regarding contents of activities, continuous activities should be carried out that have specific measures and identified achievements. And we have ISO14001 and other environmental management systems as tools to carry out such activities. And how to use such tools is very important. And only after information is disclosed, the effectiveness is obtained.

In order to disclose information, you have to collect data and prepare documents. You should be determined to prepare human, physical and financial resources to carry out these tasks. By taking a look at environmental reports published by other companies, I can recognize that substantial level of resources is put in their preparation. We need to have the determination. To meet this requirement, it is desirable that management understands the necessity of information disclosure. And third point is that we have to bear accountability for disclosed information.

Specifically, there are four requirements when we disclose information. Firstly, information should be fresh all the time. An annual report covers only the past one year. An annual report has its own meaning but we should not confine our reporting activities in annual reports. We should supply fresh information through an updating tool called Internet. Another aspect is to prepare media to offer information to unidentified mass. We use Internet to this end, too. In upcoming era of information distribution, Internet definitely plays a major role. At the same time, we should offer contents that meet objectives and expectations of

readers. To this end, we have both environmental reports that cover corporate wide environmental activities and site-specific environmental reports. For example, people in Yamanashi prefecture or residents living in neighborhood of our Yamanashi plant want to get not only information for entire NEC by annual reports but also information about specific chemicals used at NEC Yamanashi, specific activities at the plant or whether the plant is willing to cooperate with local citizens. We should offer such contents that meet the objectives.

Lastly, we should assume responsibility for disclosed contents. In this regards, key words for information disclosure are transparency, impartiality and accountability. I explained our stance toward annual reports. Companies should respond to needs of markets precisely.

This shows inquiries from outside our company about semiconductors. You can see increasing needs for information in a society. We believe we should prepare systems to respond to needs for information disclosure and keep our data in a good condition.

Next, I would like to give more specific examples of information disclosure. There are three elements in environmental communication. Elements include responses to regulation including internationalization and standardization and de facto standard of private organizations. Last element is IR, namely, responses to institutional investors. We have specific tools to deal with requests from these three fields.

This is our communication map, kinds of media for communication that we are currently using. Mainly we have media in four genres of corporate attitude, products, production activities and social contribution. Annual reports summarize corporate attitude and entire scope on a consolidated base.

We also have “site annual reports” for production activities as a communication tool for specific plant. In the field of products, we have been focusing on NEC version of Eco Labels, ISO 14031, self-declaration labels to exchange environmental information with customers. And we have brochures of environmental products. This is a dedicated brochure only for environmental considerations and issued in addition to general brochures containing product information in terms of performance and quality. This brochure is available on Internet. I hope you will take a look.

Now, I would like to explain our information disclosure tool on products, NEC version of environmental labels, that we call “Eco Symbol”. This mark is trademarked. Eco Symbol was created to appeal advanced environmental features of our products to customers. If you have a product with this mark, you just connect to Internet and you can get the information with a click.

I said that information disclosure requires impartiality, transparency and accountability. Even self-declaring labels need clear application criteria set by us. When a product is registered to Eco Symbol at our company, (refer to table), it should meet the criteria described here. First, it should meet basic items for environmental considerations. There are two environmental consideration items. One is to meet evaluation criteria created for the corporate wide use. The other is to meet environmental criteria set for each product category. Take an example of a printer. It should meet both common items and evaluation criteria for printers. We disclose criteria for each of product categories. Secondly, in addition to meeting evaluation criteria, it should be advanced. In other words, it should have world-class aspect(s). Thirdly, it should secure transparency of information since self-complacency does not work. In other words, customers need to be able to get these data easily and facts should be proved upon request. When a product meets these three points, it can carry NEC version of Eco Symbol.

Then let me share with you on how we use Eco Symbol. We put Eco Symbols on manuals, packages, catalogues and other promotion / advertisement materials and our Homepage. Our basic approach is not to stick this symbol on products, because symbols attached to products may reduce recyclability of the products and affixing symbols to products raises cost. We introduced our environmental labels in January this year and we have printed symbols on carton boxes of products, for example. If a product carries this mark, it means that this product is created with advanced environmental considerations and the information is available on our Homepage.

We have produced the “Ecology Products Guide”, a brochure of environmentally conscious products, to make direct appeals of environmental considerations to our customers. If we renew this guidebook every time we launch products, it costs a lot for printing. Therefore, we are thinking of providing this guideline only on Internet in the future.

Now, I would like to talk about LCA. Parts of evaluation results are also disclosed. LCA is a method to evaluate emission to air or water in stages of

products lifecycle. NEC started its own study about 5 years ago and we started consulting business in this field about two year ago. The LCA results I will be talking are evaluation results by internally developed LCA and accumulated database for environment. How do we utilize evaluation results in our company? We use the results as basic data and feedback to our designers. At present we are focusing on CO₂ in our evaluation. We identify processes or components that have a large amount of CO₂ emission in product lifecycle. And when a product is newly designed, designers try to reduce CO₂ emission in identified processes or components. By doing so, the product obtains environmental labels and we can promote the product to outside people. For example, Symplem, a PC, has a LCD display. This means PC itself does not consume much power. For this kind of products, CO₂ emission in production stage is relatively large. So we can recognize that when the PC is newly designed, some measures should be taken in production stage from the viewpoint of CO₂ reduction. Next, we analyze to see which production stage should be targeted for reduction. The analysis tells us that components of color LCD display emit large amount of CO₂ among all components. On the other hand, in the case of a CRT type PC, the usage stage emits 1.5 to 2 times more CO₂. Therefore, design to reduce emission during use stage is effective. By changing usage or structure of LCD, total amount of CO₂ will be reduced. Showing data to designers in such a way could help them to design with innovative viewpoints. I think LCA is very useful for designing environmentally conscious products.

Next, I would like to talk about environmental reports briefly. Our environmental reports have five characteristics. Firstly, as I explained before, we have two types, corporate wide reports on a consolidated basis and site specific reports. We issue NEC annual reports and six business units and three laboratories produce their own site reports at the same time. Site reports are handmade and reports of three to four pages are distributed to local residents and local authorities. We discuss environmental problems as something close to our daily lives. NEC has huge number of subsidiaries and many of them also produce their annual reports. The second characteristic is that we issue environmental reports when financial statements are issued. When financial statements are reported on May 29, for example, we issue environmental reports on June 1. Thirdly, contents contain three fields of production, products and social contribution. We are trying to quantify the activities so that comparison to previous year can be conducted. Lastly, we also disclose negative information. This year, we disclose actual situation of soil contamination.

Annual reports have four fields of products, production, management and communication. We produce our environmental reports in coordination with our IR and other related sections. Let me tell you about publication schedule. If report is to be issued in June, we start works October of previous year. We revise and enhance our plan several times and complete text by the end of March when an internal audit is finished. After that, we put corporate data in a framework. Checking and printing is carried out in May. Regarding data, all data is managed electronically. Therefore, data is added every month. By the end of March, we add final data for the operating year for summary.

NEC has 29 production subsidiaries from Akita to Kagoshima. Among them, 17 companies have already produced their our annual reports. Circulation is just above 14000.

Previously I mentioned “fresh information”. And as a tool to provide fresh information, we utilize Internet. We put various kinds of information that are not included in annual reports on Internet. When we tracked number of hits on our Homepage for environmental from April 1998 to November this year, we found that the number was not that much until February. We began monthly renewal of the Homepage in December last year. Then we saw increasing number of hits since March. The number of October is very high, 240,000, since we received application forms to NEC Environmental Forum that took place in November. But average monthly number of hits is around 150,000.

One instrument for environmental information disclosure is environmental accounting. We have addressed this since the fiscal year of 1998. And parts of results are included in our 1999 annual repots. Our intention is to make the information available for management decision within our company and we are now examining definitions of expenditure and profits. Expenditures include capital investment for environment, incurred costs and personnel costs. As for profits, we count effectiveness in cost reduction and deemed profits. How to address deemed profits is most problematic and the number is not calculated on a accounting basis. We are making decision on how to introduce this number by referring to discussions carried out at Environment Agency. And as for personnel cost, cost for personnel outside of Environment Management Division are not calculated on a accounting basis. But environmental activities have involvement of all employees. Therefore we would like to calculate the figure by utilizing data of environmental audits and we would like to make effective use of it for cost reduction. The objectives of introduction of environmental accounting include

enhancement of cost consciousness in our company and resultant cost reduction. Also motivation of employees is one of the aims. What I feel after introduction of environmental accounting is that the basis of environmental activities is how to make effective use of resources. The basis of sustainable development is not money but how to make best use of resources of the earth with minimum wastes. Ordinary business activities take care of aspect of profit. Therefore, we set 42 items for eco efficiency with environmental performance in mind. Our environmental accounting will check whether each target is achieved and when achieve, whether it is achieved without much cost needed. Our environmental accounting does not need special efforts, but in our system, environmental audits lead to figures for accounting.

One aspect of information disclosure is management of movement of chemical substances. As you know, this is to clarify where chemicals used at plant go. This contributes to preservation of air and water quality and it also promotes proper processing and recycling of wastes. Needless to say, we have to comply with the PRTR law, but at the same time, we are planning to utilize this as indicators for reduction activities and risk management. At present, we are developing and introducing software for this purpose.

For results of environmental audits, we believe that it is more important to disclose site-specific results than corporate wide results. Therefore, we publish results of this year as well as previous year for the plant in the site annual report. And we publish corporate wide results as indicator of environmental management level.

The theme for today's symposium is disclosure of environmental information and environmental reports. And we have been making efforts to provide information via various media and promote activities to provide information so that we can carry out mutual communication with outside world. I really welcome your candid opinions so that we can improve our communication. Thank you very much.

Moderator (Mr. Murakami):

We are having a panel discussion under the theme of “Why do companies report their performance on sustainability?”. Dr. Allen White and Mr. Goto, one of the CO-Chair of the Environmental Auditing Research Group, and GRI’s Steering committee member, will serve as coordinators for the discussion.

Panel Discussion

Mr. Goto

Thank you for your introduction. I am Goto of the Environmental Auditing Research Group and we would like to have a discussion that will illustrate for us the issues and future directions of sustainability reports.

First of all, we will ask each panelist to speak for about seven minutes, followed by comments from Dr. Allen White. And panelists will have discussion, first, among themselves and, later, with the people in the floor.

Now, let me ask Mr. Yamaguchi, founder of KST (Kino-Shiro-Taisetsu), Hokkaido, as well as of the Winter Research Institute, a think-tank institute to give his presentation.

Mr. Yamaguchi (KST)

Thank you for your introduction. My name is Yamaguchi. It is difficult to summarize what I want to say about environmental issues in a short time. So, please refer to the handout later on. I am working in the housing industry and today I would like to talk how my profession is related to the environment.

The starting point was about 10 years ago, when “GLOBE 90”, an international conference, took place in Vancouver, Canada, in 1990. This conference has been held every two years and GLOBE 2000 is going to be held in Vancouver next year. I joined the conference from GLOBE 92 and I have provided information based on my 50-year experience to people living in the Northern region. In fact, Hokkaido is positioned in the Northern region.

After a half century of experience of working in the housing industry with a keyword of “winter”, I came to recognize that winter and the environment are the same. Since then, I have been addressing environmental issues for ten years in the globalization trend with increasing exchange of ideas and information with people abroad. Recently I prepared paper and data and began to present my ideas on the environment. Environmental issues are not something you can

neglect if you are to be recognized in the world. And I believe we can be better off if we start to tackle the environmental issues sooner than later. This is why we said we would like to take part in this pilot study.

I call myself an "entrepreneur of wood." The wood business must see the forest ecosystem where trees grow holistically and it must make the ecosystem sustainable for hundreds of thousands of years. By that, I believe, I can make my company sustainable as well. My company builds in average 700 houses a year in Hokkaido by only using the local wood. There are three major standards we use: 3-layer 3-story, 3 generation living together, and durable 100-year longevity and KST house is a "genuine, exclusively order made, wooden house." The brand name is "Kinoshiro (wooden castle)" and we have built over 16,000 in total so far for the past 50 years. 110,000 prosumers who live in KST houses evaluate the house as "the number one home to provide both healthy and comfortable living."

The rural small village I was born is located by the Japan seacoast. A mountain-stream named Chiyoshibetsu river runs through east to west of the village having its origin in a 1,000-meter high Mt. Shokanbetsudake and flows into the Japan sea. A narrow land along the river has a limited area for farming only less than 30 families settled in. The arable land was less than 300 tsubos (approx. 1000 m²). The northern side of the village is a mountainous area leading to a precipitous cliff of Ofuyu Promontory. The east side is the Mt. Shokanbetsudake where you may befriend with indigenous bears. The forest spread along the southern steep cliffs and with 2 hours walk through the wooden paths took us to another human dwelling where daily necessities such as rice, soybean paste, soy sauce and the like could be bought.

A 120-meter wide foreshore on the west side of the village was a lively fishing ground. The port town, Otaru, was 5~7 hours away by the fishing boat. But during the severe winter months for 3 months from December to February, the village was completely shut down and isolated from the outside world and it was truly the "solitary island" for that period. But we were actually practicing the winter-centered development and cultivation in this severe natural environment. There are only a few of elderly couples live there now.

However, during my youth, the village was fully of energy economically. There were number of seasonal workers from other places during the herring fishing in the spring time and over 300 people lived and worked around the village. The fishing boats were built in the shipbuilding factory my father built. The ship was built out of the indigenous trees. There were many people working for my father's fishing industry, too, that as a child, I learned the joy of working with many people.

In the winter months, people were busy with different jobs. My father went into woods with the seasonal workers, did some forestation and fell trees, carried them

to the saw mill by house-drawn sleigh. The saw mill was built by my father as well. Timber other than for ship building were for house building purposes and they were shipped to Otaru. The GETA (clogs) factory was in operation all year-round. For the factory, we generated the own power by using the rapid streams of Chiyoshibetsu river.

We have effectively and fully utilized the regional resources and energy. Horse sleigh, factory equipments, agricultural tools, other manufacturing tools and daily utensils were all self-made. The products were created to fit in with the climate, fishing ground, soil and trees of Chiyoshibetsu. We realized the self-sufficient sustainable (cyclical) society there.

I learned how to read, write, and arithmetic at Chiyoshibetsu grammar school. There were only 20 to 30 pupils so until I graduate only one teacher taught all classes. I learned the spirit to "MOTTAINAI (waste not want not)" to treat even a grain of rice with care from my grandfather at home. My father taught me the entrepreneurial spirit to add values by using wisdom. In a finite world of Chiyoshibetsu, my father created a sustainable world which ecosystem continues for thousands of years. And from my mother I learned to appreciate nature, people and the region. To take "tree" as an example, I learned "the spirit and the heart" to utilize it from its roots to the branches and leaves from holistic point of view.

To manage a company for me is to undertake business activities within a work of nature by circulating the regional ecosystem as natural as possible. I learned this through my experience and it is my brief based on 50 years of accomplishments. This must be the reason many researchers from Montana University, British Columbia University and Harvard University who are very keen on the subject of "sustainability" showed strong interests to KST Hokkaido. That's how the things evolved to undertake various joint researches.

Please see my biographical essay "Mottainai", a book titled "the world's best houses" written by Manabu Akaike and Toshinobu Kanaya, and the brochure and Bioregion 21 published by Winter Research Institute for further information. But you can better understand it in real by staying over night at our "empirical" model homes and have a tour of the entire KST facility. If you are interested, please feel free to contact Mr. Kawai, Mr. Kazusa or Mr. Ishida at 01237-2-7777. Thank you very much.

Mr. Goto

Next, I would like to invite Mr. Yoshida, Kirin Beer Brewery, to give his remarks. They used GRI guideline as reference when they produced this year's environmental report.

{ Summary }

Tatsuo Yoshida, Director/General Manager Environmental and Consumer Affairs Dept at Kirin Brewery

1. Reasons for a new look at our environmental policy

Our response to environmental issues has shifted from one focusing on the company's contribution to society to one with an emphasis on corporate involvement in all efforts to create a sustainable society in harmony with the environment. By aiming at a "sustainable society" we mean we are striving to assure the health, happiness, and environmental harmony of people's lives all over the world – the goals, in other words, of our corporate philosophy.

Environmental consciousness is but one of three inseparable factors in our operations equation: ways to improve quality and reduce costs must also be considered. The integration of these three considerations is the goal of our most recent awareness campaign. We have decided not only to address the aspect of environmental protection itself, but also to respond proactively to negative aspects, such as grievances and controversies associated with impacts on employment, safety, health, social commitment, and communications with our customers.

2. Business's role

We believe that to construct a sustainable society at the dawn of the 21st century requires that the fibers of which the fabric of society is woven (individuals, businesses, national and local governments) deal with the environment as their direct and immediate concern, while at the same time cooperating and coordinating efforts among the other parties involved at different levels.

3. Tomorrow's agenda

As stated in the Guidelines themselves, we have confined ourselves at this stage to enumerating those items associated with measurable environmental, social, and economic performance.

In the future, we intend to pursue more active environmental protection action, to raise the standards by which achievement of our environmental goals is measured, to better clarify the relationships among the different parameters in our environmental impact inventory, and to integrate environmental, social, and economic aspects in our annual report.

Mr. Yoshida

Thank you. I also distributed my handout and I would like to talk what kinds of difficulties we had when we produced our environmental report based on the exposure draft of GRI and what we thought to overcome such problems in a specific manner.

We did review our environmental policies, as indicated in the handout. After we produced our environmental report last year and after we read wonderful environmental reports from other companies, we discussed what are missing from our environmental report.

The conclusion of the discussion covered three or four points. Firstly, there was no commitment from top management. Secondly, there are four companies in the beer industry and all produce environmental reports. For audiences' convenience, we gave specific calculation methodologies and numerical data so that audiences can make comparison. Thirdly, we are planning to produce site-specific environmental reports in the future, which were mentioned by the previous speaker from NEC. This time we could not prepare site reports but attached data for each plant site at the end of the environmental report. With these points for improvement in mind, we addressed GRI guideline.

At the same time, 10 years have been passed since our department was established. And environmental policies created at that time have become obsolete nowadays when we were moving toward the year 2000. We also struggled with how to define and position environmental governance as we enter into the 21st century.

We went out for input from various people and we conducted hearing with managers in environment-related departments to solicit the most important environmental issues for our companies. Based on such information, we reorganized environmental issues that we are going to face in coming five years in May this year. Then we found discrepancies to existing environmental missions. This is why we decided to review our environmental policies.

We started to issue our environmental reports in 1996 and this year is our fourth year in this endeavor. We believed we should take different approach in production of the report because in the past three years, we produced very similar looking reports. Since I am one of members of verification committee at the Environmental Agency, I received the exposure draft of GRI and we decided to use it as basis for our environmental report.

Since our company is domestic in nature and majority of our materials are agricultural products, our environmental loads are not very big. Therefore, our stance toward environmental issues is that we can tackle issues that are close to us and issues for which we can do something. This is why we try to be honest as much as possible when we write environmental reports.

As I explained, we reviewed our environmental policies. At the same time, various ministries and agencies have issued many recommendations toward a continuously re-circulating society. We reviewed our environmental policies with our understanding that a continuously re-circulating society is one form toward a sustainable society.

Our corporate mission is “toward a company that contributes to health, fun and comfort of people in the world”. And we believe that a sustainable society is a basis to realize our corporate mission. With this understanding, we changed the positioning of our environmental policies from a philanthropic approach in the past to a basis for our corporate activities that can co-exist with environment toward a sustainable society.

In order to establish a sustainable society, all members of a society, namely, citizens, corporations and local governments should play respective roles. And at the same time, all parties should form partnership. In this regard, we believed it is important for a company to show the overall picture and we decided to adopt GRI. However, in reality, it was difficult to interpret GRI guideline. We had discussions with Mr. Morishita of Eco-Management Institute, who gave the third party opinion to our report but we still had some unfilled items.

When we produced our environmental report, we gave special attentions to social and economic aspects. In fact, we faced an argument whether or not we at Social Environmental Department have authority to cover social and economic aspects. But we thought if we could collect public relations materials that we have offered to outside people, our report could cover such aspects. To the top management, we explained that our intention is to show the overview of disclosed materials to outside in a unified manner.

For the first time, our report carries the third party opinion, which is the special feature of the environmental report. Each of you might have opposition or resistance against the third party opinion, but we didn't have such reluctance because we have known Mr. Morishita for a long time and he has a deep understanding of our company. Also, Asahi Auditor Corporation is an auditor corporation who conducts financial audits. As you now understand, our stance is to start with what we can do without overstrain and to continuously improve in the

following years.

We say we produced our environmental report in accordance with GRI guideline, but actually, we just listed items from the guideline. In the future we would like to make efforts to create a report in which environmental, economic and social aspects are integrated.

Mr. Goto

Now, I would like to ask Mr. Wada of Nissan Automobiles, who also uses GRI as reference when writing their environmental report.

{ Summary } Nissan Environmental Report 1999

History of Nissan's Environmental Protection Activities

Nissan launched full-scale efforts to address environmental issues in the 1970s and further expanded the scope of the company's activities to encompass global environmental protection in the 1990s. In 1993, we adopted "symbiosis of people, vehicles and nature" as our corporate environmental philosophy and also took steps to strengthen company-wide activities to address environmental concerns. Those steps included the formulation of an environmental action policy and guidelines and the establishment of an Environmental Management Committee. Moreover, following the initiation of the Nissan Green Program in 1998, we have been proceeding with environmental protection activities on a global scale, including efforts to obtain ISO 14001 certification of the environmental management system at our operations throughout the world. One of our expressed environmental guidelines is to issue reports on environmental activities. Nissan has stated its intention to make public announcements regularly concerning the company's efforts to deal with environmental concerns and the results of such activities. The issuing of the "Nissan Environmental Report 1999" in November of last year is one example of the execution of that policy.

Progress of Nissan's Environmental Reports

Prior to initiating full-scale activities in 1990 to address global environmental concerns, Nissan was already issuing a corporate communications booklet entitled "Symbiosis," representing the predecessor of today's environmental report. Subsequently, "Symbiosis" underwent regular revisions and with the publication of the sixth edition in 1998, the name was changed to "Symbiosis—Environmental Report." The seventh edition has since been issued as the "Nissan Environmental Report 1999—Symbiosis."

However, social circumstances in Japan concerning environmental reports began to change rapidly especially from around 1997, as typified by the establishment of an awards system for such reports. Although the “Symbiosis” booklet that we had positioned as our environmental report presented many examples of Nissan's measures to tackle environmental issues, it was no longer sufficient in terms of the following points with respect to society's needs and the requirements of environmental reports:

- (1) Explanation of Nissan's business activities in general
- (2) Quantitative description of environmental impacts
- (3) Explanation of Nissan's environmental management system
- (4) Description of the results of Nissan's environmental protection activities
- (5) Explanation of future plans

In addition to “Symbiosis,” we also created a variety of tools for disclosing information, such as by issuing our "Environmental Action Program," "Nissan Environmental Report—Data Version," "Nissan's Efforts for Automotive Recycling" and "Environmental Note." In these and other ways, we endeavored to provide comprehensive environmental information in a timely manner in line with public needs and demands. In an effort to resolve the above-mentioned deficiencies in the “Symbiosis” environmental report, we surveyed other companies' reporting standards and environmental reports and conducted a review of our own tools for making information public. As a result, we found that specific improvements, such as the provision of chapters, reorganization of the items covered and the addition of information that was lacking, were needed in order to improve the quality of our environmental report and enable stakeholders to understand correctly Nissan's overall environmental protection activities. Therefore, we decided to merge the contents of “Symbiosis,” “Environmental Action Program” and “Nissan Environmental Report—Data Version” into one publication and also change the contents as much as possible to bring the information in line with the global standards that are now taking shape in society.

Main Considerations for Creation of the Nissan Environmental Report 1999

The global standards on which the 1999 report was based were the "Guidelines for Preparation of Environmental Reports" drawn up by Japan's Environment Agency in June 1997 and the draft version of the "Sustainability Reporting Guidelines" proposed by the Global Reporting Initiative (GRI) in March 1999. A careful study was made of the essential items required of an environmental report, and special emphasis was put on preparing a comprehensive outline so as to make the contents of the report coincide with society's demands.

The specific points that were newly improved are summarized below.

- Inclusion of a corporate profile that also contains negative corporate information
- Description of the scope covered by the environmental report
- Inclusion of messages from the president and the executive vice president responsible for environmental protection
- Detailed description of Nissan's environmental management system (acquisition of ISO 14001 certification)
- Discussion of sustainability in the context of Nissan's environmental philosophy
- Description of the environmental aspects of vehicles and Nissan's business activities
- Description of Nissan's Environmental Action Plan (accomplishments in FY 1998 and plans for FY 1999)
- Detailed description of Nissan's environmental performance in the context of the vehicle life cycle (development, production and recycling)
- Quantitative description of Pollutant Release and Transfer Register (PRTR) information covering 35 substances (the first such report by a Japanese vehicle manufacturer)
- Inclusion of environmental data concerning air and water quality at all of Nissan's seven major vehicle assembly plants in Japan
- Description of environmental protection efforts throughout the entire scope of Nissan's business activities (including traffic flow research, marine division operations and business offices)
- Introduction of environmental accounting and public disclosure of information on environmental protection costs

*Prepared in reference to the "Guidelines for Identifying and Disclosing Environmental Protection Costs," provisionally proposed by the Environment Agency

- Inclusion of a table comparing the differences between Nissan's old and new environmental reports (self-evaluation for securing public trust and impartiality)
- Improvement of communication with people outside the company

Toward Continued Improvement of the Environmental Report

The "Nissan Environmental Report 1999" that was issued in November 1999 won the Award for Excellence, the second highest environmental report award given by the Environment Agency. However, we realize that there are still many aspects of our environmental report which need to be improved. The GRI emphasizes the connections and interrelationships of the environmental, economic and social aspects of sustainability. The "Nissan Environmental Report 1999" satisfies only a small portion of the environmental aspects. Moreover, we are also aware of the fierce competition among companies in the area of environmental

reporting and are definitely not satisfied with the present state of our environmental report.

With regard to environmental protection, we will continue our efforts to comply with global standards and to make information public, recognizing that the assurance of impartiality and transparency will be even more important in the coming years. Not only will we continue to improve our environmental programs, we also plan to actively make public the results of our environmental protection efforts by revising and issuing our environmental report every year. As part of our continuous improvements, we intend to add more information to our next environmental report to explain Nissan's global environmental efforts, corporate citizenship programs for contributing to society and other related activities.

Mr. Wada

Thank you. I am Wada from Environment/Safety Department of Nissan. I am in charge of environmental matters as well as safety issues, but today I just focus on environmental matters. My handout is rather formal material but at this panel, I will offer what I really think and feel.

Our Environment/Safety Department was established in 1989 in a belief that we were going to enter an era of environment and safety.

I personally joined this department recently and I struggled to figure out what to do in this department. I believed that we need to have a mission in order to move our company and ourselves. Therefore, we created our environmental mission, "co-existence of human beings and automobiles" and have used this as a core. GRI guideline also tells us to write down "mission". But our writing of mission was not motivated by such trend but intended to push our people and our company. Since then we have promoted our environmental activities in a step-by-step manner, giving consideration to ISO14001 certification, for example.

Now I would like to talk about how we address environmental reports. Whatever we do, we always use the "PDCA cycle" as a framework. In this framework, activities should be reported. And we thought we needed an audit function while we operate based on the PDCA cycle. This is why we started activities to produce something like environmental reports in an early stage.

We underwent a trial and error period and produced "With Nature", a booklet to explain environmental problems of automobiles and our activities to address such problems. Next, we created our environmental action plans. In

addition, we have issued other documents to explain how our company copes with environmental issues. As a result of action plans, we issued “environmental report” and after launching a new automobile, we published “environmental notes” that report the specific environmental impacts of the newly launched car. As you can imagine, you should study these four kinds of materials in order to get an overall picture. And we streamlined these materials into “1999 Nissan Environmental Report”.

When we encountered difficulties in the production of “Environmental Report”, we decided to adopt GRI guideline for our report. First, we checked gaps between our materials and GRI guideline and found that combination of four materials covered almost all items in GRI guideline. In our Environmental Report, you can find a comparison chart between the two. After the gap analysis, we set items for the environmental report in accordance with the guideline. Management expressed resistance against disclosure of negative information but we persuaded people in our company by showing the guideline.

After setting items, we made efforts to create an easy-to-understand report. The biggest efforts were put on how to make clear about unique characteristics of automobiles in terms of CO2 emission. If you see CO2 emission in each stage of an automobile life, use stage accounts for 87% of total emission. Raw materials and production stage accounts for about 10%, and remaining 3% goes to maintenance and recycling stage. In terms of environmental impact, I would say that automobiles have a special characteristic. We struggled how to make this characteristic understandable to audiences of environmental reports. Our attempts include the LCA approach in writing our reports so that audiences can understand environmental impacts of automobiles in design, production, use and disposal stage, respectively.

Another difficult point was how to show investment in environment in terms of environmental accounting. It is easy to grasp the amount of money invested in the environmental field. But, as explained earlier, automobiles have the largest environmental impact during use stage. The investment in engine is related to environmental issues. However, the function of engine itself is to make motions and resultant exhaust gases are environmental problems. Also, noise is another environmental issue. In this regard, it is difficult to estimate the amount of investment for purifying exhaust gases and minimizing noise. We plan to set clear calculation methodologies to illustrate this point.

Now I would like to talk about what we are planning to do for continuous improvement in the future. At present, our environmental report shows situations only in Japan. But in the future, we would like to include overseas situations

where we sell many cars. In addition, our current report includes global issues to be addressed as a global enterprise as well as local issues altogether. We also have separate booklets for each of our automobiles. So, one of our challenges is how to present these information to users in a timely and easy-to-understand manner. We just issued our first “Environmental Report”. Based on our limited experiences, that is all I can say now.

Mr. Goto

Next, I would like to invite Mr. Tada of Sony to make his remarks. Sony is one of the global companies. And Mr. Roger Adams of ACCA, a member of GRI, recommended us to have Mr. Tada at our panel discussion.

Mr. Tada

Thank you for your introduction. Sony, unlike Kirin Beer or Nissan, has not issued the environmental reports based on the GRI guideline. But I believe I can make some contribution to today’s theme, “Why should companies report sustainability”. This title looks simple, but I think there are complicated elements in this title. First of all, why companies? And why sustainability? Does it mean performance? Why to report? These important requirements are included in the title. Among them, the most important thing is to clarify the concept of “sustainability”. This concept has some overlapping meaning with “environment” that has been focused in the past several years. But “sustainability” is different from “environment”. And I believe definition of “sustainability” is the starting point.

The other day, I watched a Eki-den race (a kind of marathon) on television. For me, runners’ handing over batons to next runners was associated with “sustainability”. The current civilization is similar to destruction of roads while running. Our society has contradictions inside. We can hand over the baton to the next generation and possibly the next again. But I am seriously worried whether the baton can be passed to the subsequent generations in the future. And if the current civilization is not sustainable, we should redesign it. We should change the society. To meet this goal, various sectors including companies should take actions. There are two important factors to generate actions. One is communication and the other is education.

The central media of communication is reports. Then what to be reported? I believe the contents of reports should be performance. Needless to say, companies are doing their businesses in the market. And their central reporting approach has been reports of business performance to shareholders. Annual

reports or stocks/securities reports have been used to meet this objective.

However, as “corporate value” or “corporate citizen” has been mentioned frequently in recent years, companies exist in a society. And unfortunately, companies are doing their business activities while imposing environmental impacts. Sony is doing the same. We, as a corporation, are generating economic added values, but we should also think whether we could sustain the platform we rely on for our businesses and whether we could hand over the baton to the following generations. This is the responsibility of companies should take. Environment is one of the central points in this regard. And broader concept is “sustainability”.

GRI guideline has been created by very capable persons with various perspectives. When I participated in the London meeting where the exposure draft was released, I understood that this is an attempt to position “environment” in corporate management as one value. Or this is an attempt to promote the positioning of environment in corporate management. Probably there may be various processes to put value of environment in corporate management. And first attempt would be to internalize “environment” in corporate management and then create linkage with other management elements. When we look at recent management in Japan, it is not rare to talk about environment. And leading companies already internalized environment in their management. So, what we have to do next is to link it with other management elements and systematize such management.

The very core of the GRI guideline is “triple bottom line”. The key in this concept is illustrated in its name of “triple bottom line”, rather than “three bottom lines”. Needless to say, the triple line includes economical added value, environmental soundness and social responsibility. As Mr. Yoshida of Kirin Beer pointed out before, a mere line-up of the three elements does not deserve to be called as “sustainability report”. The biggest challenge for companies is how to link the three elements altogether and the linkage itself is the corporate strategy. For example, environmental accounting can serve as one instrument to link “economic added values” and “environmental soundness” among three elements.

When we say “report”, the ownership of report belongs to companies. How communication is conducted depends on who to report, who receive the information and what actions the receivers take. For example, as Dr. Allen White pointed out, markets seeking short-term profits may not accept sustainability reports. Using the word of Professor Kokubu of Kobe University, a question arises about to what extent traditional stakeholders would accept sustainability reports. On one hand, companies should make transformation by incorporating environment or sustainability in their management. But on the other hand, markets or our society

also should change. Unless current markets transform themselves into markets with human interface, our society cannot become an environmentally friendly society. In this regard, education is very important. Not only businesses but also public sectors, academia and capable NGOs, for example, led by Mr. Goto and Ms. Kurasaka, should form partnerships with communication among themselves to change our society. Then, we can see a glimpse of a sustainable society. Today we have Ms. Kawaguchi of Daiwa Research Institute with us, who has been leading such initiatives. I am looking forward to listening to what she has to say.

Mr. Goto:

Now we would like to hear from uses of reports. Recently, Eco Funds have been a hot topic in Japan. I would like to invite Ms. Kawaguchi of Daiwa Research Institute to talk about this and other perspectives. She has been active in this field for a long time.

{ Summary }

1. Factors for investment judgement

- **Sound balance sheet ⇒ reducing risk**
- **High expected growth ⇒ high expected return**

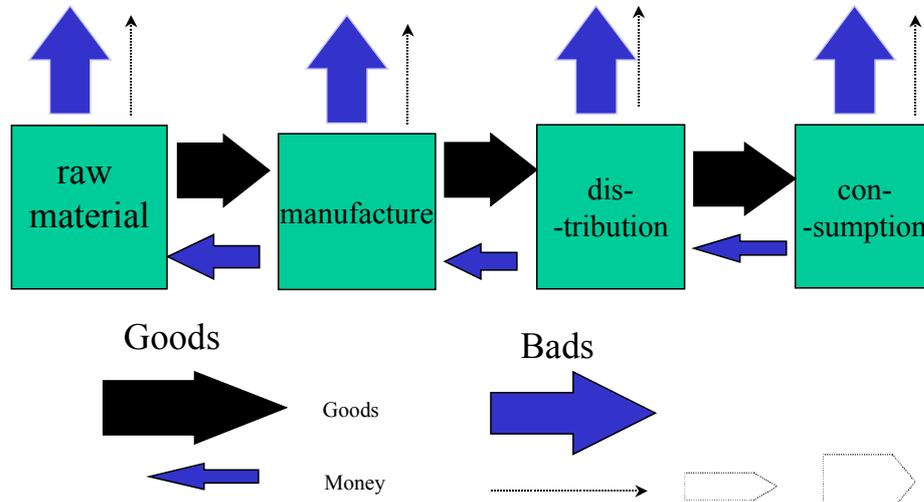


- New risks ⇒ soil contamination, chemical risk, internalization of external cost due to tighter regulations .
- **New** environment- related businesses, raising value-added of environmentally sound products reflecting tighter regulations, cost reduction as a result of EMS.



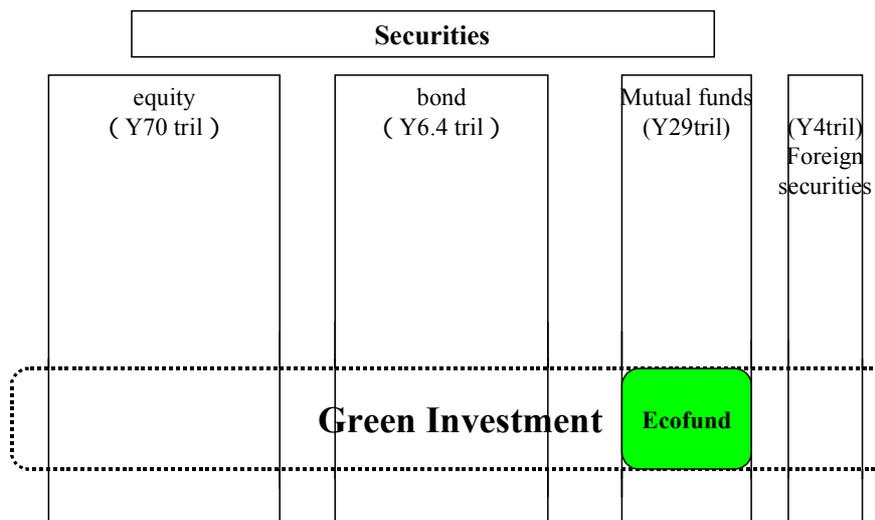
Sustainability will become indispensable corporate information for investors.

2. Changing flows of money and goods



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3. Eco-funds in Japan: The examples incorporating sustainability evaluation



注) Figures in () are Japanese financial assets held by individuals in 1999, estimated by DIR

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Daiva Institute of Research Ltd.

4. Japanese Ecofunds

Nikko Y85.6bil

DIAM Y40.1bil

F&M Y22.1bil

Sumitomo Bnk & UBS Y10.7bil

Total Y158.5 bil (as of 7 Dec)

● Major points of evaluation

- Organizations: Environmental policies& targets, management system, management commitment , environmental auditing, information disclosure, emergency measures,etc.
- Environmental burden: inputs/outputs of production processes, inputs outputs of distribution system, products environmental performances,etc.

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5. The importance of environmental screening

- SRI point of view
- Eco-efficiency point of view
- ◆ Pollution prevention measures
 - ⇒ Improving efficiency
- ◆ Rationalization of production processes
 - ⇒ Improving efficiency
- ◆ Expanding products value-added
 - ⇒ Contributing to growth potential
- ◆ Measures to reduce environmental risks
 - ⇒ Reducing risks
- **Measures to evaluate management quality**

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6. The problems of environmental reports

- Environmental Reports are the major information source
- Problems of environmental reports
 - ◆ Since reports are published voluntarily, there are various unique efforts of disclosure. However, as most data are based on each company's criteria and calculation methods, they are not suited for company to company comparison.
 - ◆ In some cases, most important environmental burden is not mentioned in the reports, and it is difficult for outsider to judge this.
 - ◆ Some reports do not specify the scope of reports, and others cover only a part of their corporate activities
 - ◆ The target readers are not specified clearly, and thus the quality of information varies.

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Ms. Kawaguchi:

I am Kawaguchi of Daiwa Research Institute. Let me share with you first what I thought in listening to the previous speakers. I have been interested in what companies are doing about environment and how such activities should be reflected in corporate values. But now we have a concept of sustainability from GRI, that does not mean only environment but also includes social and economic aspects. I have difficulty in properly positioning the three aspects.

If we think how to position social, economic and environmental aspects, I believe the first thing you need for sustainability is environmental aspect, because human beings cannot live without the earth ecology. What comes next is social aspect. With the two aspects of environment and society, we have a society. And there are bad things from the societal perspective, like "Shoko Fund"(a kind of loan shark), a recent big problem. Without such business types, Japanese society is still sustainable. Therefore, I believe "social" aspect is a narrower concept. The last aspect is economical one. Even with bankruptcies of companies, we can still maintain social and environmental aspects. This is the order in my understanding. If our environment is not sustainable, it is impossible to have sustainable society. Based on this my own understanding, I regard "environment" and "sustainability" as synonymous words in my speech.

First, I would like to talk about investors' perspectives by summarizing judging criteria for them. Traditionally, two criteria are used for making judgment on investment. An iron principle in investment is "to go for low risk and high profitability". Then how to judge the risk level? Financial data and soundness of balance sheets are basis for the judgment. And profitability and growth potential are judged based on the current market share, how to add values and strategies. Up to date, investment has been made successfully if you investigate these two factors with various methods and make judgment based on the results.

As you know, environmental regulations have been tightened. As seen in the United States, with more stringent laws and regulations, risks should be anticipated to internalize external costs, for example, to clean soil contamination.

Another aspect is about growth potentiality. Recently, various eco-businesses (businesses in the field of environment) have emerged with background of a society that takes environmental problems seriously. And with tightening environmental regulations, we expect increasing added values of environmentally conscious products. For example, automobile industry has been promoting energy saving with so-called "top runner scheme". If a green tax system (environmental taxes) is introduced, products with less energy consumption will gain popularity and it should change impacts on added values of products. Many companies try to reduce cost as a result of efforts to slash environmental impacts. Efforts to reduce raw material input increase production efficiency. It has become clear that environmental activities actually have impacts on risk and profits. This indicates that information on sustainability and information how the company addresses environment is crucial for investors.

Then, what kinds of information are needed? In listening to remarks from Kirin Beer and Nissan representatives, I feel that information on individual products and individual countermeasures to deal with environment should be integrated, rather than presenting in an isolated manner. Investors need integrated information. Take an example of cars. If we are told that a company produces environmentally conscious automobiles, we still need information about percentage of that kind of cars in total sales amount in order to make proper judgment of the company as a whole. Only after various kinds of information are integrated, it can help for making judgment on investment. The previous speakers said that currently they use GRI guideline as a list of items. But integrated information in the future could be more effective for evaluation of companies.

In my handout, data on Eco Fund, a hot topic these days, is included. Lastly, I would like to touch on problems and issues of environmental information. In current situations in Japan, each company discloses information on environment

in an original and unique manner. They report voluntary information with different calculation methodologies for figures, making impossible to make comparison with other companies. When we are to make investment judgment, we need to compare the competitiveness with other companies in the same industry. I hope companies also show figures calculated based on the same methodology so that we can make comparison. And when I read existing reports, I am not sure that they show the entire picture of environmental loads of the companies. The scope of report should be clearly defined. Or it should be clear that reported contents cover all aspects at the company. A well-thought guideline can solve this problem. And scope of report should be clear. Otherwise, it cannot be evaluated in relation with financial information. For example, if a financial statement is disclosed on a basis of consolidation with overseas subsidiaries but an environmental report covers only domestic environmental loads, readers will be really misled.

Reports currently released assume various readers. It leads to variation in quality of information. From the perspective of investors, some portions may be very detailed but other portions may be so summarized that we cannot use. In this sense, a set of guideline, such as GRI, would be of great help.

Mr. Goto

We have had presentations about current situation of issuers, users' requests and sustainability. Now, I would like to invite Dr. Allen White for his comments.

Dr. Allen White

Thank you. Thank you very much to this panel for some extremely valuable commentaries. Let me cover very quickly five points in response.

Number one, site specific information. Clearly a group of stakeholders, namely, community that wants site specific information. Corporate wide reports mean very little to communities or local authorities. Site-specific information is what they are looking for. Companies are finding ways to do this, particularly through Internet, through certain appendices or supplements to corporate reports. GRI encourages this, recognizes facility-specific information is essential to credibility of company information over all.

Number two, sector-specific information. Our panelists represent a broad spectrum of industries. Each sector has specific issues of environmental, social and economic nature. At moment, GRI focuses on identifying a core set of information that is applicable to companies in any sector and in any country. For example,

green house gas emissions are obvious case of a major public policies and corporate concerns in these days. So focus of GRI, initially, is core generic information perhaps that amounts to 50% or 60% of what might be reported in a company's report. It will be over time sector-specific additions to the GRI's core information. This would take time but GRI recognizes it is essential because these differences across sectors, between sectors, are real. It must be addressed.

Point number three, question of balance and depth of reporting. It is clear that not all issues in the guidelines are equally applicable to all companies in all sectors. That is why we encourage the use of ISO type of approach and identifying aspect of the business. This is exactly what ISO 14001 requires. A systematic, step-by-step definition of aspects. What are the aspects of business are most significant? Actually GRI intentionally adopted the language of ISO in defining what is called its "aspects". And in GRI terminology, there are categories of information, No.1, that is the most general, such as energy. There are aspects, which is the second level, such as energy use in products. And at the third level is the indicator, energy use per vehicle mile travel, for example. Three levels. The choice of the word "aspect" is very intentional to coincide with ISO 14000 because the intention is to have companies to identify their key aspects. A company emphasizes in its report the aspects that are most critical for its operation.

Item No. 4, the question of gradual approach, or we sometimes at GRI call it as "staging". All companies at this table have said that essentially we need time to move forward in terms of coverage of our reports. Coverage in terms of geography, products or business lines or divisions. Coverage in terms of first environment, then we will move to social, and then perhaps economic. We have to keep this process in historical perspective. Financial reporting has existed for about 75 years. Environmental reporting is 10 years old. We are early in the process. We are even earlier in sustainability reporting. We have to be patient. GRI is patient. As long as the direction is correct, we can move forward gradually. All parties are in learning process as to what sustainability reports mean and all learning together. GRI is learning as much as companies.

Finally, my fifth point is question of corporate mission in relation to sustainable development. Several panelists mentioned it. GRI, if it works the way, we hope it does, it will lead to a thought process that encourage companies and stakeholders to think about company's operation and products in new ways, to ask difficult questions. This is the point in section 9 in the guidelines. Section 9 is called sustainability overview. It challenges companies to ask fundamental questions, "How do you interpret sustainable development?"

Is Kirin Brewery in the beer business or in the refreshment business? What about Sony? Is it in the entertainment and communication business? It probably says “yes, not in the hardware business”. So these fundamental questions are essential to defining and thinking through the future in which companies will challenge continuously to act and deliver services and deliver products that are compatible with a concept of sustainable development where economic value, social value and environmental value is added with each of its decisions.

Mr. Goto:

I would like to pose questions to panelists and receive short answers. First, my question goes to Mr. Yamaguchi of KST. If you have any issues in management in relation to sustainability, maybe not at the level of producing a report, but at a higher level, please share with us.

Mr. Yamaguchi:

We have not established a well-organized system to provide information yet. We are a small enterprise and we are creating it while operating. But what I want you to understand is that there are three key words in environmental issues, namely “comprehensive”, “compound” and “integrated”. What I feel in mind is that if we integrate the three angles, it should be very helpful to solve environmental issues.

Mr. Goto:

I would like to ask Mr. Yoshida of Kirin Beer to share with us the challenges we face when we try to integrate them from the perspective of sustainability.

Mr. Yoshida:

When we attended a management meeting to discuss our environmental policies, many people asked, “What is sustainability?” We told them that good balance between environment and economy is a sustainable society. But as Dr. Allen White emphasized, we all have to ask ourselves about sustainability all the time. Because of this belief, we visited all branch offices and plants to explain environmental problems and our policies to deal with them and have discussion with field people. This was the first time for us to visit all fields. Environmental issues cannot be dealt by headquarters’ initiatives. We have to unify with local communities and also with related companies. Otherwise we cannot hammer out

the answer to the question of “What is sustainability?”

Mr. Goto:

I have a question to Mr. Wada of Nissan. You said in your presentation that your information is only for domestic matters and you would like to expand the scope globally. Would you please tell us what are difficulties in such expansion as well as your viewpoints about sustainability?

Mr. Wada:

Many speakers mentioned that sustainability has three aspects of environment, economy and society. In the past, each aspect was used individually. But nowadays, environmental aspect is a major factor. Without it, no decision can be made. Take a clear example of automobile. Cars are always targeted in energy discussion. How many years can we use petroleum? What economic value does oil produce? What impacts does it have on environment? These and many other issues arise. In the past, if we have crude oil, we simply judge that we can use gasoline. But nowadays, how much we can purify exhaust gases is another requirement. In the end, environment is the key in making judgment on social and economic issues. This is our stance in addressing sustainability. The same is applied to recycling issue. Recycling is an economic issue. But we cannot deal with it without environmental factor. I believe environment has become the key factor in decision-making processes.

To your question about globalization, yes, we have a mechanism. But because we don't have a good system comparable to consolidated financial statement, it takes time to summarize information. As Dr. White mentioned, we have been moving in a step-by-step manner and we would like to expand what we have done so far steadily. Otherwise we cannot achieve our goal of reporting what we have done in a proper way.

Mr. Goto:

Sony has published excellent reports. I think they produced a further advanced report as a multinational company this year. Mr. Tada, would you please tell us what you improved from the previous report and what kinds of difficulties you faced in the process?

Mr. Tada

To be frank with you, I don't think this year's report is not that advanced or improved. But I believe social environments surrounding reports including GRI have improved recently. And such improvement of platform might push our report to a slightly higher level. There are many issues we have to address in the future.

When I showed our report to a prominent European consultant, he said that our report was less interesting. Our current environmental report discloses information on performance. But he said that he could not grasp how Sony defines sustainability: philosophy behind performance information. Different persons have different opinion about this. But I have the same impression about our current report and I think we should add such aspects to our report. And previously Dr. Allen White mentioned "fundamental question", how a company defines its businesses, as the fifth point. Yes, this is very important point. Our businesses have changed drastically, from just concentrating on hardware to expanding to cover content business as well as distribution. But current report focuses on environmental loads of hardware side. We have to think how to contribute in content businesses or what environmental impacts we should think of in distribution. We also foresee a network society in the 21st century and different environmental impacts from the current society. Our current report does not cover such deep analyses and descriptions. When I have another opportunity to produce report, I would like to address such aspects.

Mr. Goto:

And now Eco Fund is booming in Japan. What kinds of impacts does it have on sustainability, Ms. Kawaguchi?

Ms. Kawaguchi:

Yes, Eco Fund has been much talked about in our society and it is said to have reached to a certain level. Let me illustrate its scale. In Japan, the scale of mutual fund as individual assets is 29 trillion yen. Eco Fund is one genre of this mutual fund that specially selects stocks with environmental consideration. As of December 7, the total amount of assets of four companies that sell Eco Fund is 158.5 billion yen. This accounts for 0.6% of the total mutual fund market. How do you see this number? In the first place, market people said Eco Fund was not going to be successful and they anticipated sales of only 5 billion yen. In

comparison to this number, 158.5 billion yen is wonderful achievement. The percentage in the total mutual fund is less than 1%. But still, Eco Fund has attracted much attention in the society and demonstrated to general public that financial products have a genre of “eco”. And it also has told companies that they should have information on environment for evaluation and they should prepare and organize such information to deal with inquiries. Eco Fund has brought these and other impacts. In stock and bond page of newspaper, you usually find comments like foreigners buying or mutual trust buying, but now you find a word of “stocks related to Eco Fund”. Now some companies are becoming “favorites” of Eco Fund and, because of this, their stocks are bought. This means such stocks have loyal investors and they may continue to buy even with lowing stock prices. In this regard, this Eco Fund would be effective to disseminate the word of “eco” to investors. The sheer scale of Eco Fund is still small but it has potentiality to grow and expand. It might have additional impact to ordinary mutual fund so that ISO certification will be included in basis items for evaluation.

Mr. Goto:

We would like to have questions from the floor.

Question 1 (college professor):

Someone said that there is no established definition of sustainable development and I would like to introduce one theory that can be used as reference. Many studies look at the Environmental Kuznets curve. This is an application of the curve to illustrate the relationship between economic growth and income gap, proposed by Kuznets, an economist. The Environmental Kuznets curve shows that as economy grows, environmental burden increases. But after a certain level is passed, investment for environment takes place and environmental burden is reduced. If this theory is proven, this could provide an evidence for sustainability. Another concept is ecological footprint. This shows how much surface of land and ocean is used for economic activities of each country. If we take sustainability seriously, the maximum footprint is going to be regulated. A similar concept is Eco Space, advocated by the Netherlands NGOs.

Question 2 (lawyer)

Guideline for sustainability is very useful for easy-to-read and comparable reports. This is one example of soft law, which has no binding power but serves as a standard. In the field of environment, such soft law has become increasingly

important internationally. However, soft laws would be difficult to take root unless how to implement and how to confirm its effectiveness should be recognized in the entire society. I would like to ask Dr. Allen White about GRI's perspective on these points.

Dr. Allen White:

I will answer both questions quickly. First question is definition of sustainability, ecological footprint and ecological space. GRI has intentionally not provided a single definition of sustainability. I will say one of the criticisms of this exposure draft has come from individuals as to how to integrate sustainability more directly and more explicitly into the guidelines. For example, we learn that a company emits certain number of tones of green house gases per year. Is that sustainable? Is that not sustainable? How much is too much? How to put those numbers in the context of certain capacity, certain limits, certain ceilings or certain targets? Are they defined by government or anybody else? This is a very big question of the guidelines. It is under discussion. How to provide a true sustainability context for the information in corporate report? How do you link corporate information with broader, higher level, macro level of sustainability issues? We have not resolved this. We will welcome your thoughts on this.

Number two question; implementation role of GRI. Again, this is under discussion. As the permanent GRI takes shape, question of scope of its activities is a key issue. We know, at minimum, the permanent GRI institution will become a steward of the guidelines, constantly improving them, constantly strengthening them, constantly enhancing them. But there are many others, beyond the basic functions. Of course, there are many other questions about implementation. For example, verification. Should GRI certify verifiers? Certify auditors? Or verify the reports? Should GRI do the auditing itself? Should GRI analyze information provided in the reports? Much like rating agencies do. Should GRI do training on the use of the reports and interpretation of the reports? There are many possibilities here. These questions remain open, undecided. But during the two-year transition, they will be answered. Again, we welcome your input on these important issues.

Question 3 (researcher):

I have another question about soft laws for Dr. Allen. At this symposium, we have been discussing environmental reports from corporate perspective. But at the same time, many people say that environmental reports are measures to cope with authorities. My concern is that if a company adopts GRI guideline, they would argue that they could be outside of interference from authorities. What do you think about such possibility?

Dr. Allen White:

I understand that the question is the relationship between GRI and regulatory bodies and government regulations. What might future look like? Very good question. So far, GRI has intentionally kept government at arm's length, because it was designed to be a voluntary program, not a regulatory program. That was the concept of GRI. Now today, two years after its creation, as a global initiative, we see governments looking at GRI with a great deal of interests. GRI has neither encouraged nor discouraged this kind of interest on the part of government. At GRI meetings, you see representatives from governments. What will evolve in the future, of course, will ultimately be the decision of government themselves. There is certainly a possibility that certain governments might say in the future that their regulations adopt GRI guidelines. This is a possibility. In the US, one of the offices of EPA has already done this with a small program. So we don't have the official position on this.

Question 4 (consultant):

"Sustainability" is difficult to understand and it has different understanding for social and economic aspects. My understanding about social aspect of companies in Japan was how much profit is passed back to the society by the ways of messena or philanthropic activities. But in today's lecture, you used the word of "corporate governance". Now I feel that corporate ethics is deeply incorporated in the social aspect. Am I right?

Dr. Allen White:

I understand the question to be better definition of the social aspects of reporting. What does it mean? And how does it connect to corporate governance? Certainly, there is no agreement generally on social reporting. What its contents should be. We have much more experience in environmental reporting. So GRI is working hard to better crystallize, articulate exactly what social issues mean in corporate reporting. For some people, they have a strong connection to labor and treatment of workers. So issues, for example, are of child labor, wage equity, freedom of association and union and company relations. For others, they mean training and education of both workers and communities that is adding social capital through education. These are just examples of very complex difficult challenge to define social issues. We also face a very great challenge to define corporate social issues that are not culture-specific. If you talk, for example, about bribery or corruption, which many would view as a social issue, if

you use the words in India verses Mexico verses Sweden verses Japan, it has different meanings. There are inter-cultural and regional differences. These are very difficult issues. In many ways, they are more complex than environmental issues.

Mr. Goto:

The development of social and economic indicators lags behind and the guideline says so. At the Paris conference, we had a workshop on social indicator where participants discussed how to deal with this aspect. Also more workshops on this point are scheduled at the future conferences.

It includes an ethical aspect. And you can find a table for reference in page 46 of the Japanese guideline. This doesn't include all, but you can get some understanding of "social aspect" that is now under development.

This concludes the panel discussion. Thank you for your participation today.

GRI Symposium (Date: December 16-17)

The program for December 17

We will hold two workshops with the following proposed agendas.

Attendees: Attendees of Third party (CER) Verification Roundtable held on the last September 4 from various firms and organizations, personnel from firms that are using the GRI Exposure Draft Guidelines (Kirin and Nissan), and the EARG GRI Team.

The seating capacity: 40 due to limitation of space. Seats left over may be provided to the representatives of EARG who hope to attend.

Language: Japanese (English non-simultaneous translation will be provided)

Place: Room No., Chuo Univ. Surugadai-Kinenkan

Workshops

13:30-15:00 Session 1: On the measuring Indicators and pilot testing
The GRI Process: Benefits for Companies/How to get involved
Facilitators: Dr. Allen White,
Vice President Tellus Institute Stockholm Environment Institute/Boston
Vice Chair, Global Reporting Initiative (GRI) Steering Committee
Dr. Deborah Savage
Tellus Institute Stockholm Environment Institute/Boston
Toshihiko Goto,
Co-Chair Environmental Auditing Research Group

Break

15:30-17:00 Session 2: On third party verification of corporate reports
The GRI Process: Assurance and Verification
Facilitators: Dr. Allen White, Dylan Tanner ERM/Yokohama
Tomoko Kurasaka
Co-Chair Environmental Auditing Research Group

17:15 Reception (Attendance fee is JPY 6,000)
(Place: 1st Fl., Chuo Univ. Surugadai-Kinenkan)

Summary of GRI Workshop on December 17 in Tokyo, Japan

*Summary for presentations was not prepared, but copies of the slides are available. *Summaries for the two discussions are attached. Translation of the questions/comments written on Post-it is to be made separately.
(Verbatim translation by Ms. Junko Edahiro)

NOTE: This summary is a tentative translation by some key members of EARG. We tried to translate as straight-forward as possible the original questions and comments which were made or written independently in Japanese by each participant, but we made some modification when the original text didn't seem clear. If the translation does not express the true meaning or intention of the person mentioned the comments or questions, the responsibility lies on Toshihiko Goto.

(1) Discussion of the Workshop 1: Benefits for Companies /How to get involved

At first, Dr. Allen White extended about 30minutes speech by using attached OHP sheets.

The summary of the discussion was;

- Meaning of “in line with GRI guideline”

Discussion began with a question from a participant to Kirin and Nissan as well as Allen White,-----Who verify a report that states “it was made in line with GRI guideline”? It led to a discussion on what Kirin or Nissan meant when mentioning GRI guideline in their reports.

Mr.Yamazaki of Kirin said,

- Kirin states “it is based on the GRI guideline” but not stating “It completely followed”. It means GRI guideline was used as a reference material.
- (In answer to another question on why Kirin chose GRI guideline not PERI or other guidelines) Kirin chose GRI because GRI guideline was easily obtained and also because it mentions not only environmental but also social and economic aspects.

Mr.Takado of Nissan said,

- Nissan didn’t follow the GRI guideline but used it as a reference. Especially Nissan paid attention to what items /metrics are required by the GRI guideline, and how different they are from those Nissan has already mentioned in its previous reports.
- Nissan didn’t think about any responsibility that might occur by mentioning GRI guideline in their report.

Mr.Morishita of Eco-management Institute who verified the Kirin’s report said,

- It is very difficult to completely follow the current GRI guideline, although it can be used as a reference material, especially to determine items /metrics to be reported.

Allen White explained that GRI expects the company explain in its report why it does not respond to certain information request.

- Voluntary guideline

Several questions written on Post-it were mentioned such as “Doesn’t the GRI guideline provide constraints?” Mr.Goto explained that the GRI guideline is a voluntary guideline.

- Feedback from a user of the GRI Guideline

Mr.Morishita of Eco-management Institute talked about areas that seem difficult in the GRI guideline from a Guideline user’s (=report preparer’s) standpoint.

(Please refer his comments on his memo attached at the bottom of this session’s summary)

Finally, he emphasized that GRI should provide more detailed explanation so that

users can know how far/deeply they should write. He wanted to have the guideline more user-friendly.

Mr.Goto told Mr.Morishita that he would like to have a separate interview later with Mr.Morishita for his feedback.

(Later, he gave us his comments memo. We attached the tentative traslation of the memo at the bottom of this session's summary.)

- Relation to ISO 14000

Several questions on ISO14000 were raised via Post-it. Mr.Goto gave answers.

- Social aspects

Several questions on social aspects were raised via Post-it. Mr.White gave answers.

Workshop Questions & comments

These are questions and comments of the GRI workshop1 held on 17 Dec. written on post-its by participants.

1. How do you define “significant environmental aspects and Environmental indicators in the guideline ? Or, What is the difference between aspects and indicators?

Is it possible to reflect the sector specificity in the definition?

2. In case of the Sustainability reporting, every entity has its own specificity. So, ultimately the reports are not able to compare each other, aren't they ?

3. I am interested in the EPIs as an officer in the Japan Environment Agency. Those EPIs need to be compatible with each government's environmental policies.

4. If ISO14001 includes the requirements of the external reports, what do you think to deal in other items except environmental aspects?

5. You said there are 40-50 initiatives for environmental reporting. To be a real global standard, does GRI need to merger with ISO? Or, is it possible?

6. Environmental reports are one tool for the multi-lateral communication between reporters and audiences. I think GRI, which is composed of members from all sectors, is more suitable than ISO for designing reporting guidelines.

7. The directions which GRI and ISO14001 are aiming are different.
ISO14001 is the Environmental Management System of the entities. GRI is targeting "Sustainability". What can GRI support the ISO?
8. In the GRI's CSR, Social and economic indicators are not clear still. I think Those are mainly depending on the evolution of the society.
I want to know the schedule of developing those indicators.
I think that the disclosure of those indicators or information is very meaningful specifically in the developing countries. What do you think of that?
9. What does "Sustainability mean?
Also, "Sustainable Environment", "Sustainable Society", " Sustainable Enterprize"
10. "Sustainable overview" is a good idea for integrating each information.
However, at this moment I think how to describe it will be very difficult
11. There are urgent needs for developing the social indicators. However, because of the cultural differences between East and West or other regions, developing the uniform indicators will be a difficult task, I think.
12. Concerning the social reporting, priorities must be put on the social problems which are generated from the core business activities of an entity.
Ex. For a alcoholic beverages company, social problems like alcoholic drinking by minors or alcoholic addiction
For auto makers, losses beard by the society, arising from traffic accidents.
13. What do you think how long it takes for GRI Guideline to be accepted as the same level as the financial reporting. Or how many yeas do you have in your mind to catch up to the FR?
14. Financial reporting itself are evolving still now. So, I think it will be impossible for CSR to raise its level to the FR.
What do you think the generally accepted level of the FR? What is the images of the level?
15. You are talking about the same level with FR. or the comparability.
Environmental aspects are not same not only among industrial sectors but also within the same sectors. So, it will be impossible to be really comparable. I fear to spend much energy for a mere token system.

16. Guidelines must be the minimum line. It is good for an entity to keep its specificity.
17. Prescribing too precisely will oppress the freedom of the entities. What do you think the balances?
18. In case of an entity using only a part of the guideline, I am afraid of the cases that the entity will use only a favorable parts for them and still use the name of the GRI Guidelines.
19. Guidelines must be guidelines forever. GRI should not want its guideline to be an authority.
20. How to or who will verify the declaration of reports which claim to be made according to the GRI Guideline?
21. What is GRI's view, on one tendency for companies to, in Sustainability reporting, to produce (or refer to) severed documents/ annexes?
 - e.g. a core EHS Performance Report
 - social report (for social)
 - annual report (for economic)

How does this fit with GRI guidelines now & in future? END

Summary of Mr. Ken Morishita's opinion concerning the GRI Guidelines draft and the reasons why Kirin employed the GRI Guidelines.

Mr. Ken Morishita is the President of Eco-Management Institute Inc and one of the Auditors of Kirin's report. The report mentioned two auditors' opinion.

1. The reason why Kirin partially employed the GRI Guidelines.

First of all, Kirin wanted to publish a high quality E-report to aggressively appeal its environmental management efforts to the international community.

At the same time, Kirin was planning to revise its environmental policy and to penetrate its environmental management philosophy within the whole Kirin group. For these purposes, a third party verification was considered as a useful tool in enhancing the credibility of the report, which would also be strengthened by adopting GRI guidelines.

2. The reasons for not fully adopting GRI Guidelines.

Mainly because of the time limitation, they did not employ the Guidelines fully this time.

Also they could not employ the condition of section 5 of the Preamble, that is " to use the section in the order in which they appear".

They thought that it would be more important to keep the continuity with their previous version. While it agreed that “ to use the section in the order in which they appear” would enhance comparability, it feared originality or identity of Kirin E-report would be lost deteriorating the quality of its report.

3. Mr. Morishita’s opinion about the GRI guideline as an Auditor of Kirin’s E-report.

- a. The condition “ to use the section in the order in which they appear” should be revised to only a recommendation. And for companies choosing different order, the Guideline should advise to put a check list for comparing the items covered in the report and Guideline, or to mention about the items not covered in the report. By doing so, comparability of reports will be strengthened as readers can easily check what is covered in the reports.
- b. About Part 1: CEO Statement
Fourth item: Performance on benchmarks versus previous years and industry norms. This expression is not easy to understand. What do you intend to include in this item? Does it mean to describe the level of the company’s E-performance? Is this to indicate description the overall Sustainability or the performance level of the Key indicators of Part2? In latter case, it will be impossible to mention about all the items in the CEO Statement.
- c. About Part2:
It will be useful if GRI would mention some examples of “ appropriate ratios”.
- d. About Part3:
Item 3.8 Financial Information
Is this the consolidated basis?
Concerning “Employee wages/salaries/ benefits, is this total or average per capita?
- e. About Part4:
Item 4.1, 4.2
Do you mean to mention only about key statements etc. To describe all of them is un- realistic.
- f. About Part5:
“Communication with Stakeholders” will be more appropriate title.
Item 5.1
Concerning “ Basis for selection”, is this the basis for the company to select its stakeholders or to select the basis of the readers of the reports?

g. About Part7:

Concerning 7.12, what do you imply for as the reporting period? For other items, it will be usually fiscal or calendar year. When mentioning about past facts and future plans, how many years do you think would be appropriate?

h. About Part8:

Item 8.1 seems to require to implement full LCA on all products and to report these data. This is impossible. It should be recommended to implement LCA on main products.

i. About Part9:

It is not easy to understand what the sustainability means from the Guideline and Appendices, and what GRI wants reporters to report. GRI should describe more concrete examples.

J. Others

It should be recommended to report the total combined LCA result or total environmental impacts of group companies as a whole. Otherwise, it will make it easy to transfer the work of environmentally heavy impacts to subsidiaries or contractors.

GRI should introduce such kinds of concept like “Combined Environmental Performance”.

END



Advancing Corporate Accountability In The 21st Century



GRI Mission

- Elevate corporate sustainability reporting to a level equivalent to financial reporting
- Design a standardized reporting guideline reflecting the three dimensions of sustainability: environmental, economic and social
- Ensure a permanent and effective institutional host



Why the Global Reporting Initiative?

Current Initiatives

- Business
- NGOs
- Government

Business-As-Usual

- Diffuse
- Single stakeholder
- Self-serving
- Parallel
- Redundant
- Confusing

GRI

- Coordinated
- Multi-Stakeholder
- Credible
- Integrated
- Efficient
- Standardized



GRI Guidelines -- Table of Contents

Preamble

1. Why These Guidelines Have Been Developed
2. What These Guidelines Provide
3. Who is Encouraged to Use These Guidelines
4. Value of these Guidelines
5. Structure of These Guidelines
6. General Reporting Principles
7. Specific Issues to Consider When Using These Guidelines
8. Independent Review/Verification of Reports
9. Relationship with Other Reporting Guidelines
10. Continuing Evolution of These Guidelines



GRI Guidelines -- Table of Contents Cont.

Core

1. CEO Statement
2. Key Indicators
3. Profile of Reporting Entity
4. Policies, Organization, and Management Systems
5. Stakeholder Relationships
6. Management Performance
7. Operational Performance
8. Product Performance
9. Sustainability Overview



GRI Guidelines -- Table of Contents Cont.

Appendices

Appendix A: General Reporting Principles

Appendix B: Explanatory Notes

- Guidance on Social and Economic Categories and Aspect
- Guidance for Part 7: Operational Performance
- Guidance for Part 8: Product Performance
- Guidance for Part 9: Sustainability Overview



Flavor of Issues – Highest Level

- Balance of appropriateness for entry-level reporters vs. "cutting edge" reporters. Can a single reporting framework span this range?
- Comfort with use of words "Sustainability Reporting" vs. "Environmental, Social, Economic Performance Reporting"
- Missing social/economic elements
- Challenges facing true globalization of the project
- How often should requested information be updated?
- What about on-line reporting?
- Thoughts on and concerns about integrating such reporting into government regulation (e.g.: regulatory relief in exchange for reporting)?



Level 1: GRI and Reporting in General

- Balance of appropriateness for entry-level reporters vs. "cutting edge" reporters? Can a single reporting framework span this range?
- Comfort with use of words "Sustainability Reporting" vs. "Environmental, Social, Economic Performance Reporting."
- Challenges facing true globalization of this project, particularly barriers and opportunities for adoption in your country/region.
- How often should requested information be updated?
- What about on-line reporting?
- Thoughts on and concerns about integrating such reporting into government regulation (e.g.: regulatory relief in exchange for reporting)?



Level 2: (Expanded)

- Overall Impression
 - Appearance (e.g., formatting, length) acceptable?
Quantity of information requested?
- Structure of Document as a Whole
 - Is the four-part structure (Introduction, Preamble, Core Guidelines, Appendices) optimal? Please provide comment on the value and content of the various sections. What alternate overall structure might you propose?
 - Examples: Is Preamble clearly written? Which appendices, if any, are most useful? What additional material would be helpful?



Level 2: (Expanded)

- Structure of Core Guidelines
 - The Core Guidelines are currently structured in nine parts whose order is specified. What alternate structure might you propose?
- Completeness
 - Are all relevant areas of sustainability represented? What is missing? What can be deleted?
- Clarity
 - Clarity of content and intent of information items included? Clarity of purpose behind Guideline parts?



Level 2: (Expanded)

- **Specificity vs. Flexibility**
 - The Guidelines seek to balance the comparability across reporters with flexibility to address an individual reporter's situation and stakeholders. Has this balance been achieved?
- **Sustainability Overview**
 - Is the guidance clear? Does it fit with the report? Is there a better way to (a) locate and (b) communicate this concept?
- **Cultural Specificity**
 - Word choice? Choice of information items?



(2) Discussion of the Workshop 2: Assurance and Verification

At first, Dr. Allen White and Mr. Dylan Tanner ERM/Yokohama extended speeches by using the attached OHP sheets.

These are comments from the participants.

- Sustainability or Environmental

A comment was made by a participant. She pointed out that many people in Japan do not clearly distinguish sustainability report from environmental report.

- Needed in developing market?

A question from Post it was raised on whether a verification is needed in countries / markets where reporting activities are not well developed. Mr.Allen gave his comment on it.

- Does verification add credibility?

A participants raised a question, saying “Does a verification statement really add credibility? Has anyone done a survey of readers?”

Mr.Tanner answered “It depends on geographic location and also who to report”. Mr.White answered “We do not have systematic evidence but personally I do believe it”.

- What verification brings?

A professor asked a question to the participant who raised above Question, “If you think verification does not add credibility, what did you aim at when having a verification statement in your environmental report?”

He explained that the company didn't intend to have a verification statement when it decided to have Tohmatsu(Deloitte & Touche) involved, expecting to make non-environmental people in the company submit accurate information and agree to disclose bad news. Afterward, Tohmatsu suggested to prepare a verification statement and the company agreed to do so. He admitted in a dialogue with the professor that the verification statement may have indirectly helped to add credibility by improving accuracy of information or including bad news, but he insisted that he doesn't see much effect of the verification statement itself and revealed his opinion that a statement from top management in its report seems much more effective than a verification statement by the third party. .

Another participant said, “When I read the verification statement in that company's report, I understood that it intended to add credibility. This year, the

verification statement referred not only for the accuracy but also for completeness. After hearing comment from the company's person, it seems my understanding was wrong, but I think normal readers will have the same understanding like mine."

- Difference between Japan and overseas countries

A participant from EARG (Her background is a Security's Analyst) revealed her impression she had when she heard Dylan Tanner's presentation, which pointed out a difference in the situation between Japan and overseas countries. She states that Body Shop and Shell have their own reasons to have a verification statement, which target outside stakeholders, but Japanese companies like the company mentioned above focus more on internal benefit to get verifiers involved.

- Is CPA appropriate as verifier?

A Participant from Asahi(Arthur Andersen), a CPA who majored in science at university, made a comment as a verifier to several companies including Kirin and Tokyo Gas. He stated that involvement of CPA is effective to help environmental people who are normally weak in the company to make non-environmental people serious to submit accurate data. He said CPA can fulfill the job expected for a verifier and high school level knowledge of chemistry is enough for a verifier.

A participant from Chuo(Coopers & Lybrand), a CPA who signed the verification statement for several companies including Taisei Construction, also insisted that CPA is appropriate as a verifier.

A participant from Tohmatsu(Deloitte & Touche) said verification cannot be done or can be done badly by solely normal expertise of accountancy firms. He said Tohmatsu relied on the company's ISO14001 based EMS for its verification.

- ◇ Brief explanation on the paper recently published by the Environment Agency
Due to time constraints, discussion was cut and a few minutes were given to Mr.Okuma of the Environment Agency to talk about its recent paper. Though it covers various issues regarding ways to promote environmental reporting, special focus is given to a way to guarantee credibility and verification. It concluded that verification is one of the ways to guarantee credibility. It addressed several issues including lack of guideline on scope/procedure, possibility to mislead readers, who should verify?, etc. (This report is currently being translated into English).

Finally, some of the comments from Post it were mentioned and participants were encouraged to continue the discussion at reception.

Questions/Comments written on Post-it for Workshop 2: Assurance and Verification

- Why verify? – Affirmative
 - Considering changes in management which may affect attitude toward environmental reporting, verification is preferable for the company's benefit to avoid risk.

- Why verify? – Negative
 - Increasing the number of companies that report should be a priority, rather than requiring verification.
 - I think verification is meaningful in countries/markets where a lot of reports are available, but is verification needed for developing markets (where efforts should be made to promote reporting activities)?
 - If a company has ISO14001 certification, it guarantees credibility of the way of collecting data to some extent. So verification may not be needed.
 - I don't like to see a raise of interest in verification. I don't like less flexible society that requires verification/audit everywhere.

- Why verify? – Alternative way?
 - I think verification is one of the possible ways to provide assurance, but doesn't GRI recognize alternative way? Should verification be required for all the report makers including small companies?
 - Someone says there is alternative way to guarantee credibility of information on the report, such as making supporting data for the report available to the public. What do you think about this?

- What to Assure?
 - Does verification provide assurance only on conformance with the GRI guideline? If so, does the verification provide credibility?
 - Verification without standard is meaningless. If it is not an evaluation against certain standard but a simple opinion, it is unnecessary. Readers of the report should have their own opinions. Communication between the report maker and readers is more necessary.
 - I think accuracy and completeness are the two important things.

- It seems difficult to expect a lot such as credibility and transparency. So maybe we should focus on something. Meaningless verification will not survive the market competition.
- Verification is to be made to environmental report and it is not to provide assurance on environmental performance.

- By whom?
 - Who is authorized to be verifier? Financial auditors are not necessarily suitable.
 - Qualification of verifiers and their responsibilities are questionable. Can a single person be knowledgeable for social and economic aspects as well as environmental? He/she may give a comment but it is irresponsible.

- Conditions for verification
 - Cost for verification is too high – it discourages demand for verification.
 - Responsibility of verifiers and misstatement of the report maker should be strongly accused, however, in order to make this happen, domestic legislation may be needed.
 - I think a clear standard for environmental performance is needed. We should develop common indicators that are applicable to any company of any size/industry.
 - I am interested in scope and responsibility of the verification and whether a guideline is needed or not.

END

Assurance for Sustainability Reports Workshop for Japanese Stakeholders

17 December 1999

Allen L. White, Ph.D.
Vice President, Tellus Institute
Vice Chair, Steering Committee, Global Reporting Initiative



Aspects of Assurance

- ◆ Why?
- ◆ Context?
- ◆ What?
- ◆ For Whom?
- ◆ By Whom?
- ◆ When?



Why Assure Sustainability Reports?

- ◆ Accountability: The Duty to be “Answerable” to Another Party for the Performance of a Specified Responsibility or Requirement
 - ◆ The “Responsibility” is Reliable, Complete, and Accurate Environmental, Social, and Economic Information
 - ◆ Accountability Requires a Periodic Provision of Accounts
 - ◆ Such Accounts Must be “Assured” to be Credible
- Thus, Assurance is one means to an End -- Corporate Accountability



Context? (1)

- ... Many Valuable Assurance Initiatives Underway, e.g.
- ◆ Statements in Environmental/Sustainability Reports
 - ◆ Social/Ethical Audits
 - ◆ IFA/International Audit Practices -- Environmental Reporting Assurance Standards
 - ◆ EMAS/Verification of Facility “Statements”
 - ◆ SA 8000/ISEA
 - ◆ AA 1000/CEP
 - ◆ ISO 14001, Etc. . . .
 - ◆ Japan Initiative



Context? (2)

.....GRI's Challenge -- Understand How These Fit Together, and Decide What Role GRI Should Play in Guidance, Certification Assurance Activities



What to Assure?

- ◆ The Accuracy of the Information (Both Qualitative and Quantitative)?
 - ◆ The Quality of Process Underlying Compilation of the Information (e.g. Information Systems, Stakeholder Engagement)?
 - ◆ Conformance with the GRI Guidelines and its Reporting "Rules?"
 - ◆ Reporter is Demonstrating Continuous Improvement Toward Practices Compatible with Sustainability?"
- All are Legitimate Purposes of Assurance: Each has Implications for the Scope and Procedures of Assurance Activities



Assure for Whom?

- ◆ Compared to Financial Reports, Sustainability Report Users are Extremely Diverse
- ◆ Some Care Most About Process, Others about Outcomes
- ◆ Some are Experienced in Interpreting Information, Others are Beginners
- ◆ Current Approaches Vary Widely: Social Auditors, Environmental Consultancies, EMS Certifiers, Etc.
- ◆ GRI Must Carefully Assess Through a Consultative Process What Users Expect and How this Can Be Reconciled with Preparer and Assurer's Perspectives



By Whom?

- ◆ Financial Reports Rely on Assurance Experts Certified by Professional Organizations
- ◆ ISO 9000 and 14001 Similarly Rely on Experts Certified by Approved Organizations
- ◆ Environmental Reports -- Typically Consultancies, Reliant on Reputation, not Formal Certification
- ◆ Sustainability Reports -- Traditional Reliance on Experts May be Insufficient to Achieve Credibility Across Diverse "Non-Expert" Stakeholder Groups



Looking Ahead

- ◆ GRI Must Define What it Means by Assurance
 - ◆ GRI Must Help Set Realistic Expectations in terms of the Scope and Depth of Assurance of a Sustainability Report
 - ◆ GRI Must Decide How Far to Go in Advancing Assurance Activities: Principles? Standards? Methods? Training? Certification of Assurers?
 - ◆ GRI Must Consider the Optimal Timing of its Involvement form in Assurance
-GRI Invites All Perspectives in Addressing these Key Questions



Session 2: On third party verification of corporate reports

GRI Symposium - Japan Dec 16-17 1999

Report Verification ERM's Views and Experience

Dylan Tanner
ERM Japan Representative Director

17 December 1999



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ERM Group

- 25 years of experience in environmental risk and auditing - over 500 experienced EHS auditors world-wide (environmental due diligence)
- Good knowledge of EHS regulatory and market pressures facing companies
- ERM CVS - ISO 14001 certification body within ERM Group
- ERM has been conducting report verification since early 1990s



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ERM Japan

- 15年来、GE Capital、Bosch に代表される世界企業の日本オペレーションにサービスを提供の実績
- Work now with leading Japanese companies.
- 1999年12月、ERM 日本 株式会社 創立
- 日本人スタッフの構築とERMグループ人材の活用



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Assurance and Verification

- Assurance:
 - Verification:
 - Certification: process of auditing against a standard and issuance of a formal certificate
- Self Assurance and Third Party Assurance
 - choice depends on legal and business needs



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ERM's Assurance Work

- ISO 14001 Certification - via ERM CVS
- Verification of quantitative performance
 - emissions reductions (CO₂, SO_x)
 - technology performance assessment
- Business Risk Assurance
 - EHS due diligence
- EHS and Social Report Assurance
 - qualitative assurance of environmental reports - 1995 Body Shop, ERM commented on the "Verified Section" of this report (the non-verified section was separated from the ERM statement)
- in verifying environmental reports - a key problem is difficulty in verifying contents of the report accurately, especially for large companies



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EHS/Social Report Assurance

- **Body Shop**

- Body Shop was one of the pioneers of environmental reporting
- Since 1992, reported under the EMAS Regulation, in 1995, produced the first global environmental report
- pioneer of sustainability reporting - "Values Report"

- **ERM Role**

- Extensive consulting work for Body Shop in UK and Asia
- 1994 and 1995 provided verification of the Environmental Statement within the "Values Report"
- ERM verification method followed the EMAS methodology - comprised site visits, senior management interviews, documentation check, appraisal of methods used to create the report, data sampling,
- 3 manufacturing sites, so verification was not a complex process
- ERM verified the "Environmental Statement" - there is a further section to the report, which contains qualitative description of the company's performance - the New Economics Foundation (a UK think tank) offers assessment of economic impact of Body Shop



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EHS/Social Report Assurance

- **Baxter 1998:**

(<http://www.baxter.com/investors/citizenship/environmental/index.html>)

- ERM CVS was involved in the ISO 14001 certification process, therefore was familiar with the company's EMS performance and also the actual site based performance
- ERM CVS's role was to comment on the company's ISO 14001 process in one Division of the company, not the report itself
- Other verifiers - AD Little and a law firm, provided further verification on Baxter's environmental, health and safety management systems



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EHS/Social Report Assurance

- **BP Amoco 1998** the company produces three items in their reporting process (<http://www.amoco.no/reports/enviro/>)
 - Environment and Social Report 1998 - main report
 - Health and Safety and Environmental Data 1998 - annex
 - BP Amoco in the Community 1998 - annex
- **Role of Outside Verifiers in this Process**
 - ERM Social Strategies provided “independent comment” concerning actual stakeholder views. BP Amoco wanted more than just their own “official view”. ERM acted as independent commentator - ERM did NOT verify the report contents, rather, ERM commented on BP Amoco’s stakeholder relations.
 - Ernst & Young provided an “Attestation Statement” - based on FEE’s Research Paper on Expert Statements in Environmental Reports



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Report Assurance - the future

Two types of Third Party Assurance

- Verification of contents of report
 - probably conducted by accountants/certification bodies
 - emerging standards to guide verifiers - GRI, FEE, EMAS
- Verification/Commentary of the Company’s performance within the report
 - ERM and other consultants will be involved in this
 - Verifiers need to have reputation/specialist knowledge in the field in which they are providing verification/commentary
 - this type of assurance less open to standardisation

Both will be useful to companies who want to communicate their performance and message to stakeholders



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