

Social Accounting — Australian Stories from a Social Accounting Practitioner

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Abstract

Economics as a stand-alone measure of success is a looming threat to the earth's survival. However, the push toward sustainability, until now on the sidelines, could, if taken seriously, offer a more optimistic future for the planet.

One aspect of this push is evidenced in countries such as the United Kingdom. Here, over the past 15-20 years, methods have been developing to systematically assess and further activities that balance the economic with the social and environmental. Shorthand terms for these methods that share basic similarities are 'social auditing', 'triple bottom line accounting' or 'TBL', and 'social and ethical accounting'. In Australia there is confusion about what exactly these concepts mean 'on the ground', and about which of the growing number of approaches are most likely to lead to sustainability.

In reality, these accounting, auditing and reporting methods require a plethora of tasks, and the work has a 'yeoman-like' quality. Here is my experience of a social accounting model commonly used in the United Kingdom within the social enterprise sector. This model is also applicable to the business sector. This paper informs about the process from a number of angles.

Keywords

Social accounting, social auditing, accountability, sustainability, triple bottom line accounting

Introduction

There is a growing interest in social accounting, but very little is actually happening in Australia 'on the ground'. My overarching goal, both for this paper and for my professional life, is to encourage more organisations to take up the practice.

This paper aims to inform the curious about what social accounting is, to inform about its meaningful application, and to raise awareness of the challenges and benefits involved. I have included five Australian case studies. These are stories from organisations that have implemented social accounting from as early as 1998. They are viewed from a historical perspective that focuses on process, and are still relevant and instructive today.

The approach taken in producing this paper is not an academic one, but more aptly described as an informal approach that is accessible to all. Although the phenomenon of 'engaging communities' is not specifically highlighted within this paper, it is present throughout, and is an integral part of the philosophy and process of social accounting.

What is social accounting?

"Social accounting and auditing is about understanding the impact of organisations on our society...the overarching context is... sustainability: both sustainability of the organisation itself (the interrelation of the social, the environmental, the cultural and the financial) and sustainability of behaviour which contributes to a future for the people and the planet" (Pearce 2001).

The essence of social accounting is *accounting for what we do and listening to what others have to say so that future performance can be more effectively targeted at achieving the chosen objectives.*

Social accounting is distinct from evaluation in that it is an internally generated process whereby the organisation itself shapes the social accounting process according to its stated objectives. In particular it aims to involve all stakeholders in the process. It measures social and environmental performance in order to achieve improvement as well as to report accurately on what has been done.

Social accounting is a dynamic concept and is best viewed as a tool for continuous improvement. Social accounting and reporting are the management tools that can bring about the cultural change needed to expand the financial bottom line to include the social.

Social accounting — the beginnings

Social accounting is not a new concept — it has been around for decades (Sustainability 1999). The last major interest in the area occurred in the 1970s. For example, one reference (Lindsey 1979) from 1979, retrieved in a database search contained the following abstract, "Hospitals, as a part of the complex health care delivery system, are the same as any other business when it comes to being socially responsible, and they soon will be singled out for social audits. This change will mean a commitment to a systematic assessment of and reporting on areas in the hospital's activities that have a social impact".

However, after an initial appearance in the 1970s, it gave way to environmental reporting. Only relatively recently has social accounting experienced a resurgence.

Terminology

Some approaches to social accounting include accounting for both environmental impacts and performance under the social heading; others treat environmental and social separately. A triple bottom line (TBL) approach has become the most widely accepted, where social accounting and reporting represent one of three (social, environmental and economic) dimensions. Because of the relatively recent reappearance of social accounting, the terms and jargon pertaining to the field are still developing. 'Social auditing' is most often used as a generic term for social and environmental accounting, auditing and reporting.

The term 'social' is itself very broad. What can it cover? The social is likely to be linked to both the tangibles and intangibles. The social is likely to include ethics, and could address human rights, labour standards, diversity/non-discrimination, health and safety, quality of people management and community issues. What the 'social' includes is determined by both the organisation and its stakeholders. Importantly, it is not predominantly external to an organisation's core business, but is ultimately integrated into all aspects of the organisation.

Why do social accounting and reporting?

Each sector and each particular organisation will have its own reasons for looking to account for their social performance. Some reasons reported by organisations include the following; acting sustainably, 'walking their talk', improving social and environmental performance, being more accountable, attracting additional funds, becoming more economically viable, being a leader in the field, attracting a wider market, a public relations tool, meeting objectives, working within a framework and improving reporting ability.¹

An additional factor that applies to the 'for profit' sector is that of mandatory social reporting. In some countries social reporting is a legal requirement. For instance, in France companies with over 300 employees are required to produce a social report. In the UK a regulation on Pension Funds "requires trustees to state the extent to which they have taken environmental and ethical considerations into account in fund management" (New Economics Foundation 2000). There are initial signs in Australia that mandatory requirements may also drive greater social accounting and reporting here. The *Financial Services Reform Act 2001* requires a Product Disclosure Statement (PDS) for financial products that have an investment component. This includes superannuation products, managed investment products and life insurance products. The PDS has to include a statement on "...the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment" (Birch 2001).

¹ From a recent survey, conducted by the writer, of 20 organisations that are accounting for, or planning to account for their social performance.

Who does social accounting and reporting in Australia?

Organisations from various sectors that are committed to the process include:

- BP Australia
- Newmont Australia
- State Forests of New South Wales
- The Body Shop Australia and New Zealand
- Westpac
- Department of Family and Community Services
- Maleny Credit Union
- Streetwize Communications
- Bundaberg Skills Centre
- Mission Australia
- Gavin Macleod's Concrete Pumping.

A still small but growing number of Australian organisations are adopting social accounting processes and preparing social reports. However, here in Australia, accounting for the social can be aptly described as a newly emerging phenomenon.

The current situation

The triple bottom line approach to accounting, auditing and reporting is finally moving beyond a talking point in Australia. The advent of the Global Reporting Initiative Sustainability Reporting Guidelines (GRI),² the Guide to Reporting Against Environmental Indicators, and the (hopefully), soon to be released Guide to Reporting Against Social Indicators (both Australian initiatives) are welcome steps in the right direction. In addition Australian networks are forming and growing steadily.

In the United Kingdom, social audit methods have been developing over the past 15-20 years, and learning, experimenting and adapting has occurred along the way. I was fortunate to be able to visit the UK in late 2002 and observe the work of other social auditing enthusiasts, such as John Pearce and Alan Kay. John is author of a comprehensive and user-friendly manual³ and workbook on Social Audit and Accounting, and a Director of Community Business Scotland. Observations and conversations did much to further whet my appetite for social auditing. As a consequence of this visit I became familiar with 'The Scottish Model' of Social Accounting and Audit.

² GRI information to be found at <<http://www.globalreporting.org/news>>.

³ The new manual on social accounting, auditing and reporting can be ordered through <<http://www.socialauditnetwork.org.uk>>.

Room for improvement

The following quotes all indicate that, locally and globally, social accounting could indeed be improved.

“The real danger we face is that there is a lot of talk about something which nobody is doing, can do or wants to do — sustainability reporting. This term though is used interchangeably with something which everybody could do — triple bottom line reporting — but virtually nobody is doing!

And what are organisations doing? Well most of them are doing nothing at all and free riding on the backs of a few leading reporters who have yet to even reach the foothills of triple bottom line reporting.” (Rob Gray, Professor of Accounting, University of Glasgow, Scotland, 2002)

“Effective reporting is not always the best means of demonstrating effective performance...as long as we think we can measure the social in the same way as we have measured the financial, as the bulk of existing TBL reports do, then little is likely to change.” (Professor David Birch, Director, Corporate Citizenship Research Unit, Deakin University in Financial Review, 2003)

“ACCOUNTING ACADEMIC DISMISSES VERACITY OF SUSTAINABILITY REPORTS...

Company reports on environmental and social performance can be so far from reality that they 'are not worth the paper they are written on' says Australian academic, Prof Carol Adams...” (*Ethical Investor Newsletter*, no. 204, March 2005)

Therefore, care needs to be taken regarding the approach to social accounting that develops in Australia. There is one major issue I will draw to your attention; measurement and reporting seem to be taking centre stage as isolated entities rather than within a social accounting framework. This could easily result in superficial adoption of social auditing by organisations. Although uncertain about the reasons for this occurrence I suspect that embracing the Global Reporting Initiative Reporting Guidelines (GRI) without more robust and necessary foundations may be a contributor. Other reasons could include adopting ‘the technical fix’ approach with a focus purely on measurement, and pressure from ‘above’ to focus on outcomes to the exclusion of all else.

Meaningful application is much more likely to occur if a holistic approach is adopted with measurement and reporting being viewed as part of a social accounting framework. Other vital parts of that framework include identifying an organisation’s values and objectives, linking these with suitable strategies and indicators and building them into core business, as well as consulting and building relationships with stakeholders.

A framework is vitally important in the creation of strength and cohesion.



The process

“For every company that has publicly committed to this path (sustainable development), a dozen more are watching and studying. Their success, and every move they make toward sustainability, will greatly influence and determine the future of this planet. These lofty words are contrasted by the yeoman-like quality of the work that needs to be done...Work (that) consists of thousands of distinct tasks, daily changes in requisitions, constant alterations of specifications, the complete redesigning of products, and tens of thousands of hours learning, questioning and collaborating” (Paul Hawken, environmentalist and author. From The Cooperative Bank's *Partnership Report*).

The Principles

Social accounting models need to share fundamental principles (Pearce 2001).ⁱ The overarching principle is to achieve continual improvement in performance relative to the organisation's social impacts, chosen social objectives and stated values. Other principles include:

- Multi-perspective — Aim to reflect the views of all those involved with or affected by the organisation
- Comprehensive — Aim to (eventually) report on all aspects of the organisation's issues, impacts and social performance
- Regular — Aim to produce social accounts on a regular basis such that the concept and the practice becomes embedded in the culture of the organisation
- Comparative — Provide a means whereby the organisation can compare its own performance year on year against appropriate external norms and benchmarks; and provide for comparisons to be made between organisations doing similar work and reporting in a similar fashion
- Verified and assured — Ensure that the social accounts are audited by a suitably experienced person or persons with no vested interests in the organisation
- Disclosed — Ensure that the audited accounts are disclosed to stakeholders and the wider community in the interests of accountability and transparency.

Models

Whilst there is a variety of models, tools and information sources I will focus on one particular model, The Scottish Model, used mainly in the not-for-profit sector. I have followed the steps through a number of accounting cycles and have audited social accounts produced by organisations based on this model. Experience has led me to believe that it offers a meaningful approach to social and environmental accounting. Its benefits include:

- A comprehensive framework
- Based on key principles
- Values-driven
- Most organisations that use the model report very favourably on how it has benefited their organisation
- It comes with a 'how to' manual that is about to be published as a second edition following extensive consultation with users of the first edition.

The Scottish Model was tested by John Pearce of Community Enterprise Consultancy and Research in the early 1990s. This model, has up to now, followed a Five Stage approach to Social Accounting. The Five Stages of Accounting are:

- Introducing Social Accounting
- The Foundations
- The Nuts and Bolts — Social Book-keeping
- Preparing and Using the Social Accounts
- The Social Audit and Reporting.

After consultation in 2004 with user groups the stages were reduced to three. A new manual with a three-step approach is due to be published.

Recommendations

Australian organisations that have utilised this model and that I have worked with in various capacities include Maleny Credit Union, Bundaberg Skills Centre, Streetwise Communications and Mission Australia (Qld). These organisations are pioneers in Australia in accounting for their social and environmental performance in a thorough and comprehensive manner. It has not been an easy journey. The following are general recommendations in relation to the social accounting process.

1. It has been noted that the motives to begin social accounting vary, and there are often multiple reasons. However, whatever the motive, there has to be a strong drive to see the process through from beginning to end of a cycle. A person or persons within the organisation needs to be committed, and preferably passionate, about the undertaking.

Support for this process within the organisation is also advantageous so that he/she can delegate the various tasks without undue resistance to the extra workload.

2. Invest in a comprehensive manual and, at least in the initial years, follow the steps religiously. There can be a tendency to 'wander' through the process and this can lead to a less than satisfactory set of accounts on the completion of the cycle. So, go with the tried and tested to begin and, as confidence and understanding build then there is more room for ingenuity and a lateral approach. However, I would still press the importance of incorporating all core steps so as to ensure the production of a good quality set of social accounts.
3. Stay on track by having a detailed time line.
4. Credit the process with a high level of importance, not something just 'tacked on'.
5. Keep the number of objectives manageable; otherwise actions required can 'fan out' and overwhelm all those involved.
6. Maintain a 'framework' perspective — keep your attention on linking back to your organisation's values, given the benefits of a 'values driven approach'.
7. Stay focussed on the 'big picture' as much as possible. The practice is valuable on many levels — global, local and organisational. Keeping this in mind assists with maintaining momentum.
8. Try to obtain resources to outsource some of the tasks. If you don't have the finances, then utilise students. The latter has been reported as a beneficial strategy.

The step-by-step process requires patience and stamina. However, all organisations overwhelmingly report that undertaking social and environmental accounting is of considerable benefit to the organisation and that their efforts were worthwhile. The following case studies report on benefits and challenges and I will leave final assessments of the worth of the process to the reader.

Conclusion

In closing the body of this paper I'd like to reinforce the call for the adoption of a meaningful approach to accounting for an organisation's social and environmental performance here in Australia. In so doing I will use an analogy for a holistic approach to social accounting — that of the tree. The roots are the foundations of the approach, consisting of embedding values and objectives within the organisation; the trunk represents the utilisation of key principles and processes pertaining to the approach; the limbs and branches represent the process of learning,



experimenting and adapting using a range of methods; and lastly the fruits and nuts represent the outcomes of a healthy organisation.

Appendix 1

The following case studies have been reproduced with the permission of the State Chamber of Commerce (New South Wales) and the organisations studied. Studies were compiled in 2002, and I am pleased to report that all organisations have made significant progress in accounting for their social and environmental performance since that time.

An historical perspective

1998–2002

Australian stories

The five organisations chosen represent a range of Australian sectors. They are from the retail, education, finance, building and construction and energy, and are a mix of small, medium and large businesses. They are at varying stages in the process of adopting social accounting and reporting, ranging from largely informal adoption of aspects of social accounting and reporting, to full adoption. All have engaged stakeholders.

The first two organisations, Gavin Macleod's Concrete Pumping and Kangan Batman Institute of TAFE, have committed to social accounting and reporting and have made substantial inroads but have yet to formalise the process. The other three organisations, Maleny Credit Union, BP and The Body Shop, have all formally adopted social accounting and reporting and are well on their way.

Three of the stories are presented in summary form, whilst two contain more in-depth examples of how they have approached the process. These stories demonstrate the evolutionary nature of adopting social accounting and reporting and inform about the motivation, challenges and benefits of such a commitment. Information for the stories was obtained through the examination of written reports and interviews with key personnel.

Gavin Macleod Concrete Pumping P/L

Background

Gavin Macleod's Concrete Pumping business is Brisbane-based and was established six years ago. Employees number seven full-time and one casual. Business assets are worth around \$650,000 with annual turnover up to \$1 million. Although the business has not formally adopted social accounting and reporting, many aspects of the process are being implemented.

The two proprietors had knowledge of equity, diversity and human resource issues and were motivated to establish their own business because of their work and family values. They were winners of the Queensland 2001 Work and Family Small Business Award, and winners of the ACCI National Work and Family Small Business Award.

One of the proprietors attended a social auditing course in Queensland. This attendance resulted in an increased awareness of the need to formalise 'the social' through improved record keeping and the consolidation of information. It also contributed to a greater focus on 'the environmental'.

Process

Steps towards social accounting include:

- Values and objectives concerning a family friendly workplace were defined on establishing the business
- Values and objectives were linked to policy
- Policies were incorporated into the business's enterprise bargaining agreement, with a range of practices formalised. This involved consultation with the union — The Builders Labourers Federation. Therefore policies and practices were integrated into the approach to business and overall performance.
- Indicators were recorded. These include 'worker retention rates, number of sick days, number of injuries and maintenance costs.'
- Stakeholder consultation through customer feedback and one-on-one ongoing communication with employees
- Record keeping through a diary
- An initial internal benchmark against which to measure future performance resulted from the Award application process. The process of preparing and entering the Award negotiations provided a snapshot of the company's performance to date.
- External auditing through the Award process.

Challenges

The union had difficulty with including the family friendly workplace clause into the enterprise agreement. Nothing similar had occurred in the industry previously. Unions, employees, customers and suppliers take time to adjust their beliefs regarding progressive social practices.

Benefits

'Putting back' into the community by telling the story of the business's social practices has resulted in indirect marketing. Benefits from this include an increase in goodwill. For instance, publications of Gavin Macleod's 'story' obtained by the bank manager, optimised business relations with the bank.

Kangan Batman Institute of TAFE

Background

Kangan Batman Institute of TAFE is a not-for-profit vocational education organisation situated in the northwest of Melbourne. The Institute specialises in automotive, aviation and the broader transport industry. It has a \$70 million turnover, 700 staff and 25,000 students.

One motivator for the commitment to social accounting and reporting is the number of amalgamations that have occurred. These have necessitated an alignment between organisations and the need to develop and review values. Moving to social accounting and reporting will document this alignment. Another motivator is in relation to a recent values review where social responsibility came through very clearly as a staff value. Importantly, social accounting is both a personal and professional interest of the Manager driving the process.

Process

An accounting cycle has not yet been completed, although much of their strategic plan would fit with social accounting. It was noted that currently there is a tendency to see the social as external to the organisation whilst there is acknowledgement of the need to integrate the social more fully with core business.

Values have been reviewed and strategies, indicators and targets formulated within the strategic plan. Integration within the organisation is therefore being addressed at the onset. Whilst 2001 involved the seeding of ideas, 2002 began an awareness campaign for the Institute staff and its stakeholders. Consultation took the form of a workshop and commenced by asking stakeholders what they expect of the organisation and obtaining their feedback on the draft performance indicators covering financial, environmental and social auditing. Assistance has been sought through the Sustainable Investment Research Institute (SIRIS).

Challenges

One of the greatest challenges faced was moving from tokenism to corporate social engagement. Social accounting is also difficult to measure.

Benefits

Benefits for TAFE were described as team development through shared values, along with the hope that social accounting and reporting will be of value to society.

Maleny Credit Union

Background

Maleny Credit Union is a relatively small member-owned organisation based in Queensland. It has 13 staff, 5000 open members and total assets of around \$20 million. Its core business is ethical financial services.

MCU has adopted social accounting and reporting principles and processes. The year 2001 saw the first full adoption of social accounting and reporting. Prior to this some key accounting steps were applied in what MCU now calls 'preliminary audits'. The organisation has published three Social, Environmental and Financial Annual Reports, and in 2003 published the *Sustainability and Financial Annual Report*.

MCU was formed in 1984 by local people to meet local needs. From the beginning MCU had an ethical focus, and a reputation for progressive initiatives, including the adoption of sustainable practices. A commitment to social accounting and reporting was a natural step for an organisation with this background.

Process

Integration has occurred at governance level through incorporation of social and environmental outcomes into governance policy during the 2003 cycle. AA1000 Social Accounting and Reporting Guidelines have been loosely followed. Reports are available on the Internet and are distributed widely at AGMs, at conferences and on request.

The publication from the New Economics Foundation, the *Workbook for Trainers and Practitioners*, was a major resource in guiding social accounting and reporting steps. Other valuable assistance occurred with mentoring by personnel from the Sydney-based Social and Ethical Auditing Institute and the establishment of additional networks, such as the Deakin Corporate Citizenship Unit and the UK-based Institute of Social and Ethical Accountability.

Challenges

- Initially there was a challenge with sourcing information. There was a sense of working 'in a vacuum'. However, this has been largely overcome through increasingly expanding networks.
- Time and money is an issue in maintaining momentum, staying abreast of information, improving upon processes and expanding more fully into social accounting and reporting.
- Social accounting concepts, processes and benefits are not easily imparted to the majority of stakeholders. For optimum stakeholder involvement to occur, a basic understanding of sustainability and social accounting and reporting needs to be acquired. This is gradually being addressed through a number of initiatives.

Benefits

Benefits noted include a close and ongoing re-examination of MCU's values and behaviour. The social/environmental is gaining a more pivotal position in discussions and decision-making. There is increased awareness and objectivity about past, present and possible future direction. There is now verifiable documentation identifying MCU's social claims. There is increased activity in relation to development of ethical products and practices.

Social accounting and reporting has resulted in kudos for the organisation. One example is the receipt of financial assistance in 2002 from Environment Australia to hold a social accounting and audit training course that year.

BP Australia

Background — BP International

BP is one of the world's largest energy groups with activities spanning 100 countries in six continents and employing over 100,000 employees. Globally they have been involved in the London Benchmarking Group as a founding member and have provided input into the Global Reporting Initiative (GRI). Their first global public environmental report was published in 1990, and in 1997 BP embarked on public social reporting.

Background — BP Australia

In Australia, BP has capital employed assets of \$8.4 billion and collects and pays approximately \$2.8 billion in taxes, royalty payments and excise duties. BP's operations in Australia can be viewed as three distinct business segments which operate under a business unit structure; namely Upstream, Downstream and Solar. The Upstream business relates to exploring for and developing natural gas and oil in the North West Shelf. The Downstream manufactures petroleum products at refineries in Western Australia and Queensland and markets fuels and lubricants and other products at BP service stations as well as selling to distributors and commercial customers. The Solar business in New South Wales provides a full range of renewable energy complete power systems to commercial customers and exports products throughout South East Asia. The organisation employs over 2000 people.

BP Australia adopted social accounting and produced its first 'triple bottom line report' in 2001. They have done so because they strive to achieve superior environmental and social performance to ensure sustained business performance. BP believes that thriving societies lead to thriving businesses. Auditing and reporting helps BP understand its holistic impact on the communities and environment in which it operates through:

- Listening — engaging with its stakeholders to understand issues and concerns

- Planning and Measuring — focuses the company on areas of underperformance against objectives
- Learning — acts as a strong stimulus for continuous improvement and behavioural change. In BP, what gets measured, gets done.

BP strongly advocates that this is not simply a feel-good exercise, but is driven by hard-nosed business logic and their ethical responsibility. They believe if companies act with their head in the sand about their impacts, then they risk their survival. Communities will no longer tolerate irresponsible company behaviour.

Process

BP has completed one accounting and reporting cycle. The report entitled, 'What we stand for', measures BP's performance against its business policies. The scope of the 'social' in this cycle covers progress made towards the organisation's non-financial business policies (defined under *Identification of values, objectives and targets*, below). At this stage, strategies, indicators and targets are generally based on BP's global strategies. In future reporting cycles, this will be supplemented with additional Australia-specific community and environmental strategies and targets as a result of ongoing consultation with BP Australia's key stakeholders. For example, service station safety is a major concern to BP's customers due to the alarming rise in crime rates. BP are already setting new strategies and targets as a result of engaging with local community groups in particularly violent areas to facilitate community and business solutions.

Triple Bottom Line Report 2000

Stakeholder identification and consultation

BP defines stakeholders as anyone who is impacted by their Australian operations. However, they have focussed their attention on particular ones — employees, customers, suppliers, specific community groups, and relevant government and non-government organisations.

For the 2000 audit, BP commissioned an external body to consult a cross-section of 70 stakeholders from the above list. Interviews were undertaken and stakeholders were asked how BP in Australia was living up to their non-financial business policies. This is the first time the organisation has undertaken this process and they are committed to continuing to consult with stakeholders.

Identification of values, objectives and actions

BP reported against their four non-financial business policies; ethical conduct, employees, relationships with the communities in which they operate, and health, safety and environmental performance. These express the values of the organisation. What 'social' means for BP continues to be an evolving process, with more impact assessments and local

engagement required e.g. the impact and benefits of a BP service station on a local community.

Objectives, targets and actions were reported. Following is an example:

<p>Objective Enhancing our local community relationship through our new global investment strategy.</p> <p>Target Active engagement by our staff in the local community through Global Social Investment and Matched Giving Program</p> <p>Performance</p> <p>Global Social Investment</p> <ul style="list-style-type: none">• BP is drafting a charter of corporate social responsibility for BP in Australia in conjunction with the Corporate Citizenship Research Unit, Deakin University.• Employees in the NW Shelf are working with Aboriginal communities in the Pilbara <p>Matched Giving Program</p> <ul style="list-style-type: none">• BP have launched an Employee Matched Giving program enabling employees to apply to BP to match their donations, time spent volunteering and fundraising efforts.

Indicators

Indicators have been determined to support particular BP global objectives. For example, in relation to the global objective 'employee safety' — with a target of "no accidents, no harm to people" one indicator BP use is 'staff days away from work', as this is a direct measure of the safety of BP's operations for employees. This allows a total picture of employee safety from a BP global perspective to be obtained as all the indicators from the various business units around the world are added together.

BP's environmental and health and safety indicators tend to be based on generally accepted global standards. However, BP tends to use only those indicators that are directly relevant to their business. For example, climate change is a major environmental issue directly caused by parts of BP's operations. BP therefore sets objectives and targets and uses indicators, which help monitor and drive down the greenhouse gases they produce.

BP's social indicators tend to be less well established due to the lack of globally applicable social objectives as well as any generally accepted global framework. For example, the diversity and geographic spread of BP's operations means that it is difficult for any one objective, and therefore any one indicator, to be applicable to all parts of its operations.

Benchmarking

BP Australia has recently submitted its TBL report for review by SIRIS (Sustainable Investment Research Institute) and SMEC (Snowy Mountains Engineering Corporation) under

the Sustainability and Environmental Reporters Program 2001–2002. The report will be benchmarked against UNEP/SustainAbility standards and the Global Reporting Initiative guidelines for sustainability reporting.

Integration of social accounting

All objectives and targets are integrated into business unit performance contracts, which then are cascaded down to an individual level. For example, the Upstream business unit would have an objective and target for all its employees to receive five days' training a year. At the individual level, this would also be in the individual's contract.

External verification

Accountancy firm Ernst & Young compiled an 'Attestation Statement'. This approach involved challenging the triple bottom line report's contents and substantiating it by testing evidence supporting the report's data, statements and assertions.

Disclosure

The report is available on their website, with a hardcopy posted on request. One of BP's reporting principles is the principle of interaction. Readers can engage the organisation via a number of channels such as electronic and paper feedback forms, contacting the call centre, meeting with key personnel, by voluntary participation in focus groups or by site visits.

The next cycle and beyond

The report stated that the first reporting cycle highlighted key learnings and opportunities for improvement. These included:

- integrating stakeholder feedback into business unit objective and target setting (this is currently starting to be done)
- educating stakeholders that improvement in these areas will occur over time not overnight
- defining the boundaries of BP operations in terms of measuring impact
- establishing robust and efficient systems and processes to collect performance data
- refining the report process
- the need to establish agreed definitions of measures that are generally accepted under accounting practices such as the valuation of goods in kind and the indirect benefits and disadvantages on societies of BP's operations, e.g. multiplier effects.

Challenges

- Applying the Global Reporting Initiative (GRI) was not always possible as some of the indicators were not relevant to a developed country; nor are they relevant to every type of organisation
- Challenge and cost of introducing new local indicators for a country when BP report, not as a country, but as a 'Business Unit.'

- Accommodating indicators that are 'soft' versus indicators that are 'hard', i.e. improved staff morale vs. reduction in greenhouse gas emissions
- Lack of accounting definitions around some of these indicators
- Current limitations to measurement — available measures focus on inputs and not impacts
- Lack of a system to fully track relevant information such as goods in kind and indirect benefits to society.

Benefits

- Cultural change in staff with improved employee satisfaction. People are proud to work with a socially aware organisation.
- Improved relationship with key government stakeholders, community groups and non-government organisations that has ensured their licence to operate and their access to operating opportunities
- Improved reputation in the market place.

The Body Shop Australia

The Body Shop is a global retailer of personal care products committed to social and environmental change and minimal advertising. There are 1900 stores in 50 countries across the world. In Australia there are 73 stores, a mail order service, online shopping and The Body Shop At Home direct selling network. They employ 800 people around Australia in their shops and retail support centres.

The Body Shop Australia started in 1983 when Graeme Wise and partner obtained the franchise rights in Australia, New Zealand and the Pacific from Anita and Gordon Roddick, founders of The Body Shop International, UK. The Body Shop Australia remains a privately-owned Australian enterprise (a franchise of the publicly listed Body Shop International), and is part of The Adidem Group whose mission is the integration of economic success, stakeholder fulfilment and positive social and environmental change.

The Body Shop Australia has adopted social accounting and reporting principles. They have done so because they believe that it is an organisation's ethical responsibility. The company has a strong ethical/social reputation and want to make sure they deserve it.

Process

The Body Shop Australia has commenced its third two-year cycle, with its 'new bottom line' report publishing 1998 and 2000 audit results. Each cycle has become more streamlined and integrated with their business plan and includes more stakeholders each time.

The process was completely supported from top down, with information and guidance being provided by The Body Shop International (UK) and Eva Cox, a social scientist with the

University of Technology Sydney (UTS). Eva Cox also acted as external verifier for both the 1998 and 2000 reports.

The process and reporting is loosely based on AA1000 Social Accounting and Reporting Guidelines, whilst still reporting in a style that The Body Shop. The following includes examples of the process from both the 1998 and 2000 Social Audit.

The New Bottom Line — 1998

Stakeholder Identification and Consultation

In late 1997 it was decided that not everything could be addressed immediately. In the first cycle the main emphasis would be on employees and customers. Some attention would be paid to supplier and community stakeholder perceptions of The Body Shop Australia's performance. So stakeholder groups for the 1998 Social Audit included employees, customers, suppliers and community groups or individuals. Social objectives were developed for the four stakeholder groups and various qualitative and quantitative data collection instruments were designed to collect perceptions relevant to The Body Shop Australia's general and specific objectives.

Identification of values and objectives

The Body Shop's values are described as honesty, care and respect. These were determined through an exercise that encouraged every Australian employee to examine which of their personal values were most important. Additionally, the five core values of 'Against Animal Testing', 'Strengthen Our Community', 'Defend Human Rights', 'Activate Self Esteem' and 'Protect Our Planet' form the basis of all The Body Shop Australia's social and environmental activities. These are utilised as objectives and indicators, along with additional objectives that relate to ethical work place behaviour and relationships. For instance, The Body Shop Australia employee objectives relate to:

- job satisfaction
- pay and benefits
- training, learning and development.

Identification of actions to implement objectives and targets

The 1998 results include a table covering indicators, results, actions and targets. Staff were engaged in the process of setting and defining performance indicators, with 17 targets being drafted for discussion and further development. Below is one example taken from the draft, the progress of which is followed through to the second cycle.

Indicator	Result	Action	Target
<i>Integrity</i>			
“I have never experienced any ethically corrupt behaviour at The Body Shop.”	<p>‘Ethically corrupt behaviour’ could take many forms. Some of our stakeholders have experienced this type of behaviour according to their definition. This is the only explanation of the qualitative data.</p> <p>Overall Result = 73% [agreement with statement relating to integrity]</p>	<ul style="list-style-type: none"> • To investigate how stakeholders conceive corruption and the forms it could take. • When this is established, report on our findings. • If required, work with stakeholder groups/individuals to take appropriate actions to eradicate corrupt behaviour 	To significantly improve our results to this question by increasing the number of people who indicate they have not experienced any form of ethically corrupt behaviour at The Body Shop

Stakeholder identification and consultation

The Body Shop Australia increased their stakeholder groups to include Christmas Casuals in the Employee Group, The Body Shop at Home Consultants (active in January 2000), and community stakeholder organisations with which staff were involved for their community projects during 1999. Stakeholder opinions and relevant information were collected through one-on-one discussions, focus groups and written questionnaires.

Target results

Of the 17 targets set in 1998, five targets were met, progress was made on another eight targets and four targets were not met. The following is an example of target results being followed through to the second cycle of accounting.

Target	Integrity
Indicator:	I have never experienced any ethically corrupt behaviour at The Body Shop.
Cycle 1	
1998 result:	Employees 73% agreement
Target set:	To significantly increase numbers of employees who have never experienced any ethically corrupt behaviour at The Body Shop
Cycle 2	
2000 result:	Very little evidence of ethical corruption was detected for 2000 despite extensive investigation of staff's perceptions about what they had seen or experienced. None of the more serious types of behaviour is reported as continuing at The Body Shop.
Progress:	High

Actions outlined for 2001 included:

- The Body Shop Australia Code of Conduct will be launched. This code defines acceptable behaviour and clarifies unacceptable behaviour. It will underpin all decision making.

Benchmarking

The Body Shop Australia has undertaken internal benchmarking, through comparing the results of one cycle with the next. External benchmarking is also reportedly occurring, although it was stated that benchmarking opportunities are limited.

Integration of social accounting

The Body Shop Australia's managing director reports that they have realised the importance of incorporating the cycles within the strategic planning. Social and environmental targets for the next two years will be woven into the strategic and operational plans to ensure they share their place alongside financial imperatives.

External verification

The Social Accounts were audited using an external verifier and a verification panel. Recommendations included upgrading the internal data collection, reliability and validity so that ongoing monitoring can then be undertaken as a part of the audit processes and everyday management.

The verifier had limited involvement in design and analysis for this cycle. Her role was to verify the process and the product of the audit. The data available internally was reported as considerably improved and, with data collection integrated into management information systems and other positive changes, the next round of auditing was expected to more closely resemble the financial audit by mainly involving the process of collecting existing data.

The New Bottom Line — 2000

The 2000 results are available in three forms. These are; 'the new bottom line 2000 report' available in hardcopy and from the website, containing highlights and reporting results; 'further details of the Australian social audit 2000'; and a condensed four-page version of 'the new bottom line'.

Challenges

No significant challenges are reported by The Body Shop Australia now that the auditing process has advanced to the stage where it is embedded in the culture. The main challenge they report is the lack of relevant external benchmarks. However they have observed that:

- social accounting and reporting requires top down commitment and resource allocation
- many organisations are talking about social accounting but as yet hardly anyone is doing it in a stakeholder inclusive way
- one of the greatest challenges if governments were to legislate and regulate the process would be maintaining a relevance to the individual needs of organisations
- it needs to be simple and easy to understand by all stakeholders
- there is a long way to go before the majority of organisations do it because it is the right thing to do, rather than jump on the bandwagon because they think there will be financial benefit.

Benefits

These are described as too numerous to mention but the main one is that stakeholders are given a voice. Social accounting and reporting at The Body Shop Australia is now fully integrated into the strategic planning process and helps drive the business.

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